THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Isotope & Radiation Corporation**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

CHINA ISOTOPE & RADIATION CORPORATION
中國同輻股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1763)

PROPOSED APPOINTMENT OF DOMESTIC AUDITOR FOR 2023
CONTINUING CONNECTED TRANSACTION
RENEWAL OF THE EXISTING ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT
CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST IN BNIBT TO CNNC HEALTH
PROPOSED APPOINTMENTS OF DIRECTORS
AND
PROPOSED APPOINTMENTS OF SUPERVISORS

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

RAINBOW CAPITAL (HK) LIMITED
泓 博 資 本 有 限 公 司

A letter from the Board is set out on pages 5 to 32 of this circular. Capitalised terms used on this cover page have the same meanings as defined in this circular.

The Company will convene the EGM at 10:30 a.m. on Friday, 22 December 2023 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China. Notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. The proxy form for the EGM is enclosed herewith.

Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. 10:30 a.m. on Thursday, 21 December 2023) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

6 December 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Articles"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"BNIBT"	Beijing North Institute of Biotechnology Co., Ltd. (北京北方生物技術研究所有限公司), a company established under the laws of the PRC on 6 June 1985 and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Board"	the board of Directors of the Company
"CBEX"	China Beijing Equity Exchange (北京產權交易所)
"China Baoyuan"	China Baoyuan Investment Co., Ltd. (中國寶原投資有限公司), a company established under the laws of the PRC on 20 January 1988 and a wholly-owned subsidiary of CNNC, the controlling Shareholder of the Company, as at the Latest Practicable Date
"CNNC"	China National Nuclear Corporation (中國核工業集團有限公司, previously known as "中國核工業集團公司"), a company established under the laws of the PRC on 29 June 1999 which holds approximately 73.83% equity interest in the Company and is the controlling Shareholder of the Company
"CNNC Health"	CNNC Health Investment Co., Ltd. (中核健康投資有限公司), a company established under the laws of the PRC on 20 December 2018 which is held as to 45%, 40% and 15% by China Baoyuan, Hengyang City Construction Investment Co., Ltd. (衡陽市城市建設投資有限公司), and Hunan University of South China Holding Co., Ltd. (湖南南華大學資產經營有限公司), respectively, as at the Latest Practicable Date
"Company"	China Isotope & Radiation Corporation (中國同輻股份有限公司), a joint stock company incorporated in the PRC with limited liability

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"Disposal"	the transaction in relation to the disposal of 100% equity interest in BNIBT by the Company to CNNC Health pursuant to the Equity Transfer Agreement
"Domestic Share(s)"	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB
"EGM"	the first extraordinary general meeting of 2023 of the Company to be held at 10:30 a.m. on Friday, 22 December 2023 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, the PRC
"EPC"	engineering, procurement and construction
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Company and CNNC Health on 23 November 2023, pursuant to which the Company agreed to sell and CNNC Health agreed to acquire 100% equity interest in BNIBT held by the Company
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each which are subscribed for and traded in HK$ and listed on the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Board, comprising Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang, all being the independent non-executive Directors of the Company

"Independent Financial Adviser" or "Rainbow Capital"	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) and (ii) the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who are not required to abstain from voting in favour of the resolution for approving the proposed resolutions under the Listing Rules
"Independent Third Party(ies)"	a third party independent of and not connected with the Company and its subsidiaries and its connected persons (as defined under the Listing Rules)
"Latest Practicable Date"	3 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC" or "China"	the People's Republic of China, excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region and Taiwan
"Renewed Engineering Construction Services Framework Agreement"	the engineering construction services framework agreement entered into between the Company and CNNC on 31 October 2023, pursuant to which, the Group will purchase certain construction services, equipment services and consultation services from CNNC and its associates (excluding the Group), and which (including the proposed annual caps thereunder) is subject to the approval by the Independent Shareholders at the EGM
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented, or otherwise modified from time to time)
"Share(s)"	the ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising the Domestic Shares and the H Shares
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	supervisor(s) of the Company
"Valuation Reference Date"	31 March 2023
"Valuation Report of BNIBT"	the asset valuation report of the Value of the Total Equity Attributable to Shareholders of Beijing North Institute of Biotechnology Co., Ltd. Involved in the Proposed Transfer of the Equity Interest Held by China Isotope & Radiation Corporation in Beijing North Institute of Biotechnology Co., Ltd. issued by Zhuoxindahua dated 8 September 2023 (Zhuo Xin Da Hua Ping Bao Zi (2023) No. 2206), the summary of which is set out in Appendix I to this circular, and the further information on which is set out in Appendix II to this circular
"Zhuoxindahua"	Beijing Zhuoxindahua Appraisal Co., Ltd. (北京卓信大華資產評估有限公司), an independent third-party appraisal agency engaged in connection with the Disposal

CHINA ISOTOPE & RADIATION CORPORATION
中國同輻股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1763)

Members of the Board
Chairman and executive Director:
Mr. Wang Suohui

Executive Directors:
Mr. Xu Hongchao
Mr. Du Jin

Non-executive Directors:
Mr. Chen Shoulei
Mr. Ding Jianmin
Ms. Chang Jinyu
Ms. Liu Xiuhong

Independent Non-executive Directors:
Mr. Poon Chiu Kwok
Mr. Tian Jiahe
Ms. Chen Jingshan
Mr. Lu Chuang

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

Head Office and Principal Place of Business in the PRC
No. 66 Changwa Middle Street
Haidian District
Beijing
PRC

Principal Place of Business in Hong Kong
5/F, Manulife Place
No. 348 Kwun Tong Road
Kowloon
Hong Kong

To the Shareholders

Dear Sir/Madam,

**PROPOSED APPOINTMENT OF DOMESTIC AUDITOR FOR 2023
CONTINUING CONNECTED TRANSACTION
RENEWAL OF THE EXISTING ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT
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PROPOSED APPOINTMENTS OF DIRECTORS
AND
PROPOSED APPOINTMENTS OF SUPERVISORS**

1. INTRODUCTION

The purpose of this circular, of which this letter forms a part, is to give you notices of the EGM, and to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

At the EGM, ordinary resolutions will be proposed to consider and, if thought fit, approve, among other things, (i) proposed appointment of domestic auditor for 2023; (ii) renewal of the Existing Engineering Construction Services Framework Agreement; (iii) disposal of 100% equity interest in BNIBT to CNNC Health; (iv) proposed appointments of Directors and (v) proposed appointments of Supervisors.

2. PROPOSED APPOINTMENT OF DOMESTIC AUDITOR FOR 2023

The Board proposed to appoint ShineWing Certified Public Accountants (Special Partnership) (信永中和會計師事務所(特殊普通合夥)) as the Company's domestic auditor for 2023 and its fee shall be 50% of the standard annual final accounts audit fee published by Beijing Municipal Finance Bureau, which is subject to the approval of Shareholders at the EGM.

3. RENEWAL OF THE EXISTING ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

References are made to the announcement of the Company dated 23 December 2022 in relation to, among others, the entering into of the engineering construction services framework agreement with CNNC (the "**Existing Engineering Construction Services Framework Agreement**"), and the announcement of the Company dated 30 March 2023 and the circular of the Company dated 15 May 2023 in relation to, among others, the revision of annual caps under the Existing Engineering Construction Services Framework Agreement.

Reference is also made to the announcement of the Company dated 31 October 2023 in relation to, among others, the entering into of the Renewed Engineering Construction Services Framework Agreement with CNNC. As the Existing Engineering Construction Services Framework Agreement will expire on 31 December 2023, with a view to continuing the transactions thereunder, the Board has resolved to renew the Existing Engineering Construction Services Framework Agreement and the Company has entered into the Renewed Engineering Construction Services Framework Agreement with CNNC on 31 October 2023 for a term of two years, which (including the proposed annual caps thereunder) is subject to the approval by the Independent Shareholders at the EGM.

I. Renewed Engineering Construction Services Framework Agreement

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

Principal Terms: The Company has 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 following services to members of the Group: (i) EPC services or construction services ("**Construction Services**"); (ii) equipment procurement, manufacturing or installation services ("**Equipment Services**"); and (iii) engineering consultation services including but not limited to engineering consultation, management and supervision, and survey and design ("**Consultation Services**").

Term: The agreement will come into force on 1 January 2024 and expire on 31 December 2025, subject to renewal as may be agreed and negotiated upon by both parties.

Pricing Policy: The following factors shall be considered in determining the amount payable under each specific engineering construction contract: (1) the cost for relevant products and services (including labor costs and material costs); (2) the market conditions learnt by the Group from suppliers (including CNNC and its associates and independent suppliers); and (3) where contract prices with respect to purchase and sales contracts are considered significant under each head of services that they are classed under (as more particularly set forth hereinbelow), public tenders shall be conducted in accordance with the internal tendering procedures of the Group, and, in each case, the final price shall be determined based on the results of such process. Details of the pricing policy is summarized as follows:

a) Construction Services: where the contract price for a contract classed hereunder is estimated to be greater than or equal to RMB4 million, service providers shall be selected through tender. Thus, if such being the case, then the Company will determine whether it will opt for services provided by CNNC and/or its associates based on the results of such process, and once tender is awarded thereto, the award price shall be the price stipulated in the contract submitted to tender. When selection of service providers is not made through tender, the Company shall base its decision on whether to opt for services provided by CNNC and/or its associates on the outcome of evaluation and review of the contractual terms, and the contract price shall be determined through arm’s length negotiations amongst the parties (provided that the price so determined shall not be in violation of any applicable laws, regulations and relevant national requirements).

b) Equipment Services: where the contract price for a contract classed hereunder is estimated to be greater than or equal to RMB2 million, service providers shall be selected through tender. Thus, if such being the case, then the Company will determine whether it will opt for services provided by CNNC and/or its associates based on the results of such process, and once tender is awarded thereto, the award price shall be the price stipulated in the contract submitted to tender. When selection of service providers is not made through tender, the Company shall base its decision on whether to opt for services provided by CNNC and/or its associates on the outcome of evaluation and review of the contractual terms, and the contract price will be determined through arm’s length negotiations amongst the parties (provided that the price so determined shall not be in violation of any applicable laws, regulations and relevant national requirements).

c) Consultation Services: where the contract price for a contract classed hereunder is greater than or equal to RMB1 million, service providers shall be selected through tender. Thus, if such being the case, then the Company will determine whether it will opt for services provided by CNNC and/or its associates based on the results of such process, and once tender is awarded thereto, the award price shall be the price stipulated in the contract submitted to tender. When selection of service providers is not made through tender, the Company shall base its decision on whether to opt for services provided by CNNC and/or its associates on the outcome of evaluation and review of the contractual terms, and the contract price will be determined through arm's length negotiations amongst the parties (provided that the price so determined shall not be in violation of any applicable laws, regulations and relevant national requirements).

The Renewed Engineering Construction Services Framework Agreement and the terms thereof are determined by the parties after arm's length negotiations.

Pursuant to Rule 14A.81 of the Listing Rules, the services under the Renewed Engineering Construction Services Framework Agreement shall be aggregated.

Historical Amounts: For each of the two years ended 31 December 2022 and the nine months ended 30 September 2023, the transaction amounts incurred under the Existing Engineering Construction Services Framework Agreement are set out as follows:

	Historical Amounts *(RMB'000)*		
Nature of Transaction	**2021** *(Audited)*	**2022** *(Audited)*	**Nine Months Ended 30 September 2023** *(Unaudited)*
Construction Services	6,540	26,468	99,359
Equipment Services	–	7,542	–
Consultation Services	211	3,765	1,703

Proposed Annual Caps: The annual caps for the Engineering Construction Services Framework Agreement for each of the three years ended 31 December 2023 and the proposed annual caps for the Engineering Construction Services Framework Agreement for each of the two years ended 31 December 2025 are set out as follows:

Nature of Transaction	**Annual Cap for 2021** *(RMB'000)*	**Annual Cap for 2022** *(RMB'000)*	**Annual Cap for 2023** *(RMB'000)*	**Proposed Annual Cap for 2024** *(RMB'000)*	**Proposed Annual Cap for 2025** *(RMB'000)*
Construction Services	80,000	150,000	600,000	450,000	350,000
Equipment Services	20,000	40,000	100,000	50,000	150,000
Consultation Services	40,000	40,000	100,000	50,000	50,000

The Basis for Annual Caps: The above proposed annual caps are determined by reference to the following:

a) the Company's "14th Five-Year Plan", under which seven projects have been approved, with completion of main body construction and equipment installation being contemplated during 2024 and 2025 pursuant to the relevant payment milestones, and approvals of new projects thereunder are also expected during 2024 and 2025;

b) the Company's expected payment of approximately RMB400 million for each of the two years ended 31 December 2024 and 2025, for all Construction Services, Equipment Services and Consultation Services provided for the aforementioned seven projects; and

c) the Company's setting aside of such further sums, factored in as estimated fees payable for and/or costs incurred on new projects, where approvals and payments thereof are contemplated during 2024 and 2025.

II. Implementation of the Agreement

The Renewed Engineering Construction Services Framework Agreement is a framework agreement between the Company and CNNC in connection with the provision of engineering construction services by CNNC and/or its associates to the Group, and does not constitute a specific engineering construction services agreement. The parties will conclude separately specific engineering construction services agreements according to the principles under the Renewed Engineering Construction Services Framework Agreement, and determine specific engineering construction services in writing. Subject to terms of the Renewed Engineering Construction Services Framework Agreement, all specific engineering construction services agreements shall be concluded on fair and reasonable basis, and set out specific terms and conditions including specification requirements, and other terms including the prices of products and services, and the delivery time, etc.

III. Internal Control System for Continuing Connected Transaction under the Renewed Engineering Construction Services Framework Agreement

The Company has established (1) the reporting, approval and, if necessary, selection and 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. Such procedures and internal control measures mainly include:

a) The Company has adopted such rules of internal control as exemplified by the Connected Transaction Management Measures.

b) Under the leadership of the Board, the Company has set up a connected transaction leading group headed by the chief financial officer, which is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts, etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising (on an annual basis) the training of connected transactions across the Group and conducting periodic supervision and inspection of the connected transactions, etc.

c) Each subsidiary of the Group has established its own connected transaction group as headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are placed in charge of pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies while setting prices for each of the connected transactions of the Company.

d) Under the leadership of the connected transaction leading group, the Company's internal control and risk management department conducts regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain comprehensive and effective. Further, the audit department (legal compliance department) is tasked with conducting prudent review of the connected transaction contracts, whilst the finance department is entrusted with the control of pricing of the connected transactions and the contract implementation department is responsible for monitoring the transaction amounts in a timely manner.

e) Connected transactions of the Company shall be conducted in accordance with the Company's internal control procedures, and all of the Company's subsidiaries are required to submit implementation reports of connected transactions on a monthly basis. The Company shall thereupon consolidate, review, sum up and analyse data so collected in order to monitor the transaction amounts concerned and ensure that they are controlled within the annual caps, and recommends improvement measures for any issues identified.

f) The Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports where implementation of continuing connected transactions are being disclosed on a half-yearly basis. Matters under review shall mainly include: whether the Company and the relevant connected person(s) have performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amounts incurred are within the annual caps as approved at the general meeting. Reports are made by the independent non-executive Directors on the performance of their duties to the general meeting of the Company on an annual basis. Such reports include opinions on (i) whether the actual transaction amounts incurred are within the annual caps under the continuing connected transactions as approved at the general meeting; (ii) whether the continuing connected transactions are conducted pursuant to the relevant agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole.

g) The supervisory committee of the Company supervises on matters pertaining to the continuing connected transactions. Among its responsibilities are the reviewing of annual financial reports and interim financial reports where implementation of continuing connected transactions is disclosed. It is also tasked with compliance review of connected transactions under the relevant regulatory requirements in domestic and overseas listing venues, and conducting review on whether the prices for such transactions are fair and reasonable and whether the performance of the obligations thereunder are detrimental to the interests of the Company and the Shareholders.

h) The audit committee of the Company reviews annual financial reports, annual reports, interim financial reports and interim reports where disclosure is made accordingly on the implementation of the continuing connected transactions and opines on the connected transactions during the reporting periods on matters such as the fairness of the connected transactions and whether the actual transaction amounts incurred are within the annual caps prescribed for the continuing connected transactions.

i) The external auditor of the Company conducts interim and year-end audit each year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies under the continuing connected transactions and whether the actual connected transaction amounts incurred are within the caps prescribed for the continuing connected transactions each year pursuant to the Listing Rules and submits the same to the Stock Exchange.

For each of those contracts classed under Construction Services, Equipment Services and Consultation Services:

a) Where tender is required under applicable laws, regulations and rules, the Group will organise public tender procedures in accordance with the Company's internal tendering rules. The business procurement department of the Company shall consider and approve the procurement protocol and establish the tendering working group, which is responsible for the preparation of the tendering protocol and arrange for the relevant approvals required for and during tender process to be obtained from the senior management, the Board or the Shareholders (as appropriate) in accordance with the Company's internal control policies. In cases where conduct of the process of tender shall be entrusted to a tendering agency in accordance with the Group's internal tendering rules, the tendering working group will arrange for approval of the tender documents, select and supervise the tendering agency to be entrusted for review the tender process and announcement of the outcome. Where the tender process is conducted by the Group, the tendering working group will prepare the tendering documents and arrange for approval and publication thereof, as well as complete the relevant work required prior to the commencement of the tender process. A tendering review committee will be established by the tendering working group or the central management department of the Company (as the case may be) to review the tender either carried out by entrusted agency or by the Group. The tendering review committee shall comprise both of representatives of the tenderee and technical and economic experts independent from the tenderee (selected based on the criteria as specified in the Group's internal tendering rules), total of which shall be in odd number of more than 5, with no less than two thirds of them being such technical and economic experts. Participation of tender shall be by no less than 3 qualified tenderers that satisfy the qualification requirements as set forth in the relevant tendering documents. The tendering working group or the central management department of the Company (as the case may be) will announce the outcome of the tender. The tendering working group, the central management department of the Company or the tendering agency, as the case may be, will issue bid-winning notice and the business procurement department will arrange for the signing of the relevant contract with the bid winner. Determination of the successful tenderer is made after due consideration of the evaluation principles and criteria so specified in the relevant tendering documents, as well as the relevant qualifications, experience and bidding prices so offered by the tenderers. For the Company's contracts that are submitted for tender, the contract price shall be the offer price of the successful tenderer.

In the case where the tender process could not proceed out of any of the following circumstances, a fresh round of tender shall be launched after analysis of the reasons therefor and the adoption thereafter of corresponding rectification measures. Such circumstances include: (i) fewer than three valid offers from potential tenderers having purchased, submit application for, or passed such preliminary qualification review (where required and as specified); (ii) fewer than three potential tenderers having purchased the tendering documents; (iii) fewer than three tenderers having submitted the bidding documents by the relevant cut-off date; (iv) the tendering review committee having rejected all bidding applications; and (v) other circumstances stipulated by national laws and regulations for which tender process shall be re-conducted. In case of a re-launch, where the number of qualified tenderers are still less than three, the Company could: (i) re-conduct the relevant tender after modifying the tendering announcements, the tendering documents, or the preliminary qualification review announcements and documents; (ii) for international tender in relation to mechanical and electrical products, proceed to the commencement and review of tender with two tenderer(s) or even one; or (iii) have the requirements for tender waived by the relevant authorities in accordance with the relevant requirements under the national laws and regulations and the Company's internal tendering rules.

b) Where tender is not required under applicable laws, regulations and rules, the Group will arrange for separate negotiations with CNNC and/or its associates and independent suppliers, upon which, prices shall be determined by taking into account, in each case, the aggregated total actual costs for services provided, whilst allowing for reasonable profits and factoring in taxes so payable. Where possible, the management will consider, and before payment is approved in each case, the quotations of at least two comparable transactions with independent suppliers for the same period so as to assess the reasonableness of the profits so gained by the Company's supplier for services so rendered under the Renewed Engineering Construction Services Framework Agreement.

The Group's construction projects require relatively complex radiation protection, and shall be completed by professional service providers with relevant qualifications and experience. There are a limited number of such service providers with relevant qualifications and experience in China, the majority of which are CNNC and/or its associates. The Group will invite CNNC and/or its associates with relevant qualifications as well as qualified independent suppliers to attend the public tender process or negotiate with CNNC and/or its associates with relevant qualifications as well as qualified independent suppliers.

The Company has formulated a series of procurement policies to manage procurement process and reduce cost. The tender process will be managed by the Group in strict accordance with the rules and requirements of the Bidding Law of the PRC, and in the case other than through tender process, the Group will adopt different measures to encourage competition among potential suppliers including CNNC and/or its associates and independent suppliers. CNNC and/or its associates and independent suppliers will be treated fairly. The Company will regularly contact its suppliers (including CNNC and/or its associates and independent suppliers) to understand the market conditions. The finance department, the audit department (legal compliance department) and the discipline inspection and supervision department of the Company are mainly responsible for supervising the procurement activities carried out by the Company's procurement department. The finance department of the Company reviews the procurement plan to formulate the procurement budget and a forecast of future expenses, tracks the actual spending against procurement budget, and prepares financial statements and reports with analysis thereof being conducted on a regular basis. The audit department (legal compliance department) of the Company supervises the implementation of procurement policies (including the Group's internal tendering rules), and is responsible for supervising the implementation and improving the Company's compliance procedures and internal control measures for prevention of conflicts of interest, including risk assessment, identification and prevention of potential conflict of interest involved in procurement activities, so as to ensure that the procurement activities (including, where applicable, the tender process) and the actions taken by the personnel so involved are in compliance with the relevant laws, regulations, industry norms and the Company's internal policies, as well as participates in negotiations with suppliers on contractual terms of the relevant contracts and conducting regular reviews thereof. The discipline inspection and supervision department of the Company is responsible for handling disciplinary violations identified in procurement management (including, where applicable, tendering activities) in accordance with relevant laws and regulations and the Company's internal policies. Where criminal activity is identified, the Company's discipline inspection and supervision department shall transfer the case to the relevant judicial authorities for investigation.

Given the Group has established above procurement measures, the Directors are of the view that the pricing policy under the Renewed Engineering Construction Services Framework Agreement can ensure that the transactions will be conducted on normal commercial terms.

IV. Reasons for and Benefits of Entering into the Renewed Engineering Construction Services Framework Agreement

The Group has invested in many construction projects throughout its rapid development. In particular, as the preliminary work of several base projects has been further promoted recently and such projects will enter the construction stage, the Group will conclude a large number of specific engineering construction service contracts in succession. The Group's construction projects require relatively complex radiation protection, and shall be completed by professional service providers with relevant qualifications and experience. There are a limited number of such service providers with relevant qualifications and experience in China, the majority of which are CNNC and/or its associates. Therefore, it is very likely that the Group's engineering construction services will be eventually provided by CNNC and/or its associates by whatever means the Group selects engineering construction service providers. In addition, according to the Bidding Law of the PRC, the tenderee and the successful tenderer shall enter into a written contract within 30 days from the date of issuing the bid-winning notice. Therefore, the Company shall enter into the Renewed Engineering Construction Services Framework Agreement in advance and implement the annual caps thereunder.

In respect of the Directors attending the Board meeting, connected Directors Mr. Wang Suohui, Mr. Xu Hongchao, Mr. Du Jin, Mr. Chen Shoulei, Mr. Ding Jianmin and Ms. Liu Xiuhong were considered to have material interests in the Renewed Engineering Construction Services Framework Agreement by virtue of being employed by CNNC and its associates and had thus abstained from voting on the Board resolution in respect of the Renewed Engineering Construction Services Framework Agreement.

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Renewed Engineering Construction Services Framework Agreement are determined through arm's length negotiation on normal commercial terms, and the transactions contemplated and the proposed annual caps thereunder are fair and reasonable, entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

V. General Information

The Company

The Company and its subsidiaries are primarily engaged in the research, development, manufacturing and sale of diagnostic and therapeutic radio pharmaceuticals and radioactive source products for medical and industrial applications. The Company also provides irradiation services for sterilization purpose and EPC services for the design, manufacturing and installation of gamma ray irradiation facilities. In addition, the Company provides independent clinical laboratory services to hospitals and other medical institutions.

CNNC

CNNC was established on 29 June 1999 and is principally engaged in 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.

VI. Implications of the Listing Rules

As at the Latest Practicable Date, CNNC holds approximately 73.83% of the Company's total issued share capital directly and indirectly, and is the controlling Shareholder of the Company. As such, CNNC and its associates are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Renewed Engineering Construction Services Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the Renewed Engineering Construction Services Framework Agreement for the two years ended 31 December 2024 and 2025 exceed 5%, the transactions contemplated under the Renewed Engineering Construction Services Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. DISPOSAL OF 100% EQUITY INTEREST IN BNIBT TO CNNC HEALTH

References are made to the announcements of the Company dated 8 September 2023 and 23 October 2023, in relation to, among others, the Company's intention to dispose of 100% equity interest held by the Company in BNIBT to CNNC Health by way of transfer through a public tender process on CBEX.

Reference is also made to the announcement of the Company dated 23 November 2023 in relation to, among others, the disposal of 100% equity interest held by the Company 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.

I. Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are summarized as follows:

Date: 23 November 2023

Parties: (1) the Company, as the transferor; and
(2) CNNC Health, as the transferee

Disposal: The Company agreed to sell and CNNC Health agreed to acquire 100% equity interest in BNIBT held by the Company.

Consideration: The consideration under the Equity Transfer Agreement is RMB260,115,800, which was determined with reference to the valuation result of the total equity attributable to the shareholders of BNIBT conducted by Zhuoxindahua, an independent third-party appraisal agency, using the income approach as at the Valuation Reference Date of 31 March 2023 and after arm's length negotiations between both parties. According to the Valuation Report of BNIBT issued by Zhuoxindahua on 8 September 2023 (the summary of which is set out in Appendix I to this circular and further information of which is set out in Appendix II to this circular), the total equity attributable to the shareholders of BNIBT was RMB260,115,800 as at the Valuation Reference Date.

Payment arrangement: The remaining amount of the consideration after deducting the transaction deposits, being RMB26.0116 million, payable by CNNC Health shall be transferred by CNNC Health to the settlement account designated by CBEX within 5 working days after the Equity Transfer Agreement becomes effective. The transaction deposits paid by CNNC Health as required by the Company and pursuant to the requirements set out in the Company's information disclosure announcement in relation to equity transfer on CBEX shall be deducted as part of the consideration after the payment of the aforesaid remaining amount.

Closing: The Company and CNNC Health shall fulfill or assist each other in fulfilling the respective obligations of reporting to the approval authorities, and use their best efforts to address any reasonable requests and enquiries from any approval authority so as to obtain the approval in respect of the Equity Transfer Agreement and the equity transfer thereunder.

The Company shall, within 20 working days after obtaining the equity transfer certificate issued by CBEX for the Disposal under the Equity Transfer Agreement, procure that BNIBT completes the registration procedures with respect to such change in title of equity in BNIBT while CNNC Health shall provide necessary assistance and cooperation.

During the period from the date of the signing of the Equity Transfer Agreement to the closing of the equity transfer of BNIBT, the Company shall perform the obligation of exercising due care on BNIBT and its assets. The Company shall ensure and procure the normal operation of BNIBT during such period. Where there is any material adverse impact on BNIBT during such period, the Company shall promptly notify CNNC Health and take appropriate measures.

Effectiveness of the Equity Transfer Agreement: The Equity Transfer Agreement shall take effect from the date when it is affixed with the seals of, and signed by the legal representatives or authorised representatives of the Company and CNNC Health, save for such circumstances where it is necessary to submit to the approval agency for approval in accordance with laws and administrative regulations and subject to the approval at the general meeting in accordance with the relevant provisions of the listing rules of the venue(s) where the securities of the parties are listed, where applicable.

In the event that the Equity Transfer Agreement is not approved by the Shareholders at the EGM or the Disposal fails to proceed to completion due to force majeure or reasons not attributable to the Company and CNNC Health, the Equity Transfer Agreement may be terminated by consensus between the Company and CNNC Health. Taking into consideration the progress of the Disposal and the relevant terms in respect of the costs that shall be borne by the Company and CNNC Health in relation to the Disposal under the Equity Transfer Agreement, the deposit paid by CNNC Health shall be refunded to CNNC Health without interest, after deduction of the relevant costs (such deduction, if any, and the amount thereof shall be determined by mutual agreement after arm's length negotiations between the Company and CNNC Health, having taking into account the specific reasons for the failure of the Disposal to proceed to completion).

II. Profit Forecast under the Valuation Report of BNIBT

As determination of the appraised value in the Valuation Report of BNIBT is made by applying the discounted cash flow method under the income approach, such appraisal constitutes the profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**").

(I) Assessment assumptions

According to the Valuation Report of BNIBT, the details of the assessment assumptions on which the Profit Forecast is based are set out below:

General assumptions:

(1) Transaction assumption: it is assumed that all assets to be valued are in the course of transaction and the valuation conducted by the asset valuers is based on simulated market such as terms of transaction of the target assets.

(2) Open market assumption: it is assumed that both transaction parties have equal status regarding the assets that are to be transacted or are intended to be transacted in the market. Each of them has opportunity and time to obtain sufficient market information so as to make rational judgments regarding the functions, uses and the transaction prices of the assets.

(3) Enterprise going concern assumption: it is assumed that the valuation target will continue to operate as a going concern after the Valuation Reference Date.

(4) Assumption of continued use of assets: it is assumed that the appraised assets will continue to be used legally and effectively in accordance with the planned use and subject to the conditions of use, such as those on the manner, scale, frequency and environment, and will not undergo significant changes during the foreseeable period of use.

Special assumptions:

(1) It is assumed that there being no significant changes in the relevant laws, regulations and policies in force in the PRC, the macroeconomic situation of the PRC and no significant changes in the political, economic and social environment of the regions where the parties of this transaction are located.

(2) It is assumed that there will be no significant changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies related to the valuation target after the Valuation Reference Date.

(3) It is assumed that the industry in which the valuation target operates maintains a trend of stable development and there are no significant changes in the industrial policies, management systems and relevant regulations.

(4) It is assumed that there are no force majeure and unforeseeable factors that would have material adverse impacts on the valuation target after the Valuation Reference Date.

(5) It is assumed that the accounting policies to be adopted by the valuation target after the Valuation Reference Date and the accounting policies adopted in preparation of the asset valuation report are consistent in material respects.

(6) It is assumed that the company maintains its current manner and level of management and that the scope and manner of its operation remains consistent with those at the current time.

(7) It is assumed that the operator of the company is a responsible one and the management of the Company is capable of assuming its given role.

(8) It is assumed that the processes of purchasing, acquiring and constructing the assets involved in the valuation target are all in compliance with the provisions of relevant national laws and regulations.

(9) It is assumed that the cash inflow of the valuation target is an average inflow and the cash outflow is an average outflow.

(10) It is assumed that the contracts, agreements and bid awards provided by the valuation target that are being performed or not yet performed are valid and can be completed within the planned time.

(11) It is assumed that the valuation target can continue to be entitled to the corresponding preferential taxation policies within such prescribed period.

(12) It is assumed that the lease of assets to the valuation target can be normally renewed upon the expiry of the lease period and such leased assets can be used on a continuous basis thereupon.

(13) It is assumed that licenses, use permits, consent letters or other legal and administrative authorisation documents required to be issued by national or local government authorities or organisations for the valuation target are all within the validity period and in normal and compliant use as at the Valuation Reference Date, and such licenses can be renewed or replaced upon expiry of their validity.

(II) Confirmations

SHINEWING (HK) CPA Limited ("**SHINEWING**"), the auditor of the Company, has been engaged to report on the arithmetical accuracy of the calculations of the cash flow forecast, which does not involve the adoption of accounting policies, of the Profit Forecast as set out in the Valuation Report of BNIBT.

The Board has reviewed the key assumptions on which the Profit Forecast is based and is of the view that the Profit Forecast has been made after due and careful enquiry.

The letters issued by SHINEWING and by the Board on the Profit Forecast are set out in Appendix III and Appendix IV to this circular, respectively.

III. Financial Information of BNIBT

In accordance with the Chinese Accounting Standards for Business Enterprises, net profits (on consolidated basis, before and after taxation) of BNIBT for the nine months ended 30 September 2023, the years ended 31 December 2022 and 2021 are set out below:

	Nine months ended 30 September 2023	**Year ended 31 December 2022**	**Year ended 31 December 2021**
	(RMB0'000)	*(RMB0'000)*	*(RMB0'000)*
	(Unaudited)	*(Audited)*	*(Audited)*
Net profit before taxation	-4,113.31	8,757.49	1,517.16
Net profit after taxation	-4,227.39	6,869.48	1,418.22

The increase in net profit of BNIBT in 2022 as compared to that of 2021 was mainly attributable to such increase in its revenue generated from sales of nucleic acid testing services due to the increased nucleic acid testing conducted by the government, and hence increased screening of nucleic acid testing samples. However, since December 2022, nucleic acid testing was no longer required to be conducted on a regular basis by the local government, hence the demand for, and the revenue of BNIBT derived from its nucleic acid testing business saw a sharp decline in 2023. Meanwhile, as BNIBT was unable to drive down labor costs in the short run (as the number of staff so designated for conducting nucleic acid testing could not be concurrently reduced), which coupled with the fixed monthly depreciation costs of equipment purchased for conducting nucleic acid testing, resulting in the decline in net profit of BNIBT as of 30 September 2023.

Based on the unaudited consolidated financial statements prepared by BNIBT in accordance with the Chinese Accounting Standards for Business Enterprises, as at 30 September 2023, the total assets of BNIBT were approximately RMB403.2 million, which mainly comprised of (i) fixed assets of approximately RMB68.5 million; (ii) trade receivables of approximately RMB213.7 million; and (iii) cash and cash equivalents of approximately RMB40.7 million. As at 30 September 2023, the total liabilities of BNIBT were approximately RMB211.6 million, which mainly comprised of (i) short-term and long-term borrowings of approximately RMB15.0 million; (ii) trade payables of approximately RMB63.1 million; (iii) other payables of approximately RMB87.0 million; and (iv) lease liabilities of approximately RMB17.1 million. The net current assets and equity attributable to the shareholders of BNIBT were approximately RMB119.6 million and RMB190.8 million, respectively, as at 30 September 2023.

IV. Reasons for and Benefits of the Disposal

BNIBT, a wholly-owned subsidiary of the Company in the in vitro diagnosis business segment, has been immersed in the field of radio-immunity for nearly 40 years. Under the internal and external environmental influences, BNIBT faces huge development opportunities and challenges. The Company intends to introduce strategic investors for BNIBT so as to optimise its shareholding and governance structure, revitalise its existing assets through the introduction of complementary advantageous resources, provide industry synergy and empowerment, inject vitality into the development of BNIBT through the use of capital means to seek better transformation and development of BNIBT in the future and enhance its corporate image. The Disposal is beneficial to the Group and will not have any adverse impact on the business and financial performance of the Group.

In respect of the Directors attending the Board meeting, connected Directors Mr. Wang Suohui, Mr. Xu Hongchao, Mr. Du Jin, Mr. Chen Shoulei, Mr. Ding Jianmin and Ms. Liu Xiuhong were considered to have material interests in the Equity Transfer Agreement and the transactions contemplated thereunder by virtue of being employed by CNNC and its associates and had thus abstained from voting on the Board resolution in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are determined through arm's length negotiation on normal commercial terms, and the transactions contemplated thereunder are fair and reasonable, entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

V. Financial Impact of the Disposal and Use of Proceeds

Upon completion of the Disposal, the Company will cease to hold any equity interest in BNIBT and BNIBT will cease to 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 Company expects to record a pre-tax gain of approximately RMB48,521,900 from the Disposal. Such amount is determined based on (i) a consideration of approximately RMB260,115,800; and (ii) the audited carrying amount of the Group's 100% equity interest in BNIBT as at 31 March 2023 of RMB211,593,900 (on consolidated basis). The actual gain of the Disposal is subject to the audit by the Company's auditor.

The Company expects the aggregate amount of proceeds from the Disposal to be RMB260,115,800. The Group intends to use the proceeds from the Disposal on the fixed assets, technological research and development and equity investment expenditures of the Company's strategic main business segments such as radio pharmaceuticals, radio nuclides, radioactive sources and irradiation applications, while supplementing the liquidity required for its operations.

VI. General Information

The Company

The Company and its subsidiaries are primarily engaged in the research, development, manufacturing and sale of diagnostic and therapeutic radio pharmaceuticals and radioactive source products for medical and industrial applications. The Company also provides irradiation services for sterilisation purpose and EPC services for the design, manufacturing and installation of gamma ray irradiation facilities. In addition, the Company provides independent clinical laboratory services to hospitals and other medical institutions.

BNIBT

BNIBT is principally engaged in the research, development, manufacturing and sale of in vitro diagnostic reagents, and its business covers the manufacturing of raw materials in the upstream business and products, scientific research service and other industrial chain businesses in the in vitro diagnosis segment. As at the Latest Practicable Date, the Company holds 100% equity interest in BNIBT.

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. As at the Latest Practicable Date, China Baoyuan, Hengyang City Construction Investment Co., Ltd., and Hunan University of South China Holding Co., Ltd. hold 45%, 40% and 15% equity interest in CNNC Health, respectively.

VII. Implications of the Listing Rules

As at the Latest Practicable Date, CNNC, directly and indirectly, holds approximately 73.83% of the total issued share capital of the Company and is the controlling Shareholder of the Company. China Baoyuan, a wholly-owned subsidiary of CNNC, holds approximately 45% equity interest in CNNC Health. Accordingly, CNNC, China Baoyuan and CNNC Health are connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of the Equity Transfer Agreement and the transactions thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Disposal are more than 5% but less than 25%, the Equity Transfer Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The entering into of the Equity Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

5. PROPOSED APPOINTMENTS OF DIRECTORS

I. Introduction

Reference is made to the announcement of the Company dated 13 October 2023 in relation to the proposed appointments of the Directors.

On 13 October 2023, the Board resolved to propose the appointments of Mr. Zhang Junqi and Mr. Xu Hongchao as executive Directors of the fourth session of the Board of the Company, propose the appointments of Mr. Chen Shoulei, Mr. Ding Jianmin, Ms. Chang Jinyu and Ms. Liu Xiuhong as non-executive Directors of the fourth session of the Board of the Company and propose the appointments of Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang as independent non-executive Directors of the fourth session of the Board of the Company, for a term of three years commencing from the date when each of their appointments is approved by the Shareholders at the EGM. The above appointments are subject to the approval by the Shareholders at the EGM and will become effective upon the approval by the Shareholders at the EGM.

The Board also resolved that if the above appointments are approved by the Shareholders at the EGM, Mr. Zhang Junqi will take positions as chairman of the Board, chairman of the strategy committee of the Board (the "**Strategy Committee**"), chairman of the legal affairs committee of the Board (the "**Legal Affairs Committee**"), and chairman of science and technology innovation committee of the Board (the "**Science and Technology Innovation Committee**"). Mr. Xu Hongchao will take positions as member of the Strategy Committee and member of the Science and Technology Innovation Committee. Mr. Chen Shoulei will take positions as vice chairman, member of the audit and risk management committee of the Board (the "**Audit and Risk Management Committee**"), member of the Strategy Committee and member of the Legal Affairs Committee. Mr. Ding Jianmin will take positions as vice chairman and member of the Strategy Committee. Ms. Liu Xiuhong will take positions as member of the remuneration and appraisal committee of the Board ("**Remuneration and Appraisal Committee**") and member of the Legal Affairs Committee. Mr. Poon Chiu Kwok will take positions as chairman of the Audit and Risk Management Committee, member of the nomination committee of the Board (the "**Nomination Committee**") and member of the Legal Affairs Committee. Mr. Tian Jiahe will take positions as member of the Strategy Committee and member of the Science and Technology Innovation Committee. Ms. Chen Jingshan will take positions as chairman of the Nomination Committee, member of the Remuneration and Appraisal Committee and member of the Legal Affairs Committee. Mr. Lu Chuang will take positions as chairman of the Remuneration and Appraisal Committee, member of the Nomination Committee, member of the Audit and Risk Management Committee and member of the Science and Technology Innovation Committee, with their respective terms commencing from the date of approval by the Shareholders at the EGM to the date on which the term of office of the fourth session of the Board expires.

II. Background of the Nominated Directors

Mr. Zhang Junqi (張軍旗), aged 52, is currently the 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. 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. Subject to approval by the Shareholders at the EGM, Mr. Zhang will enter into a service contract with the Company for a term of three years commencing from the date when his appointment is approved by the Shareholders at the EGM, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. The remuneration of Mr. Zhang will be determined by the Board with reference to recommendations of the Remuneration and Appraisal Committee in accordance with its terms of reference and taking into account, among other matters, his duties and responsibilities.

Mr. Xu Hongchao (許紅超), aged 53, is currently an executive Director 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 and general manager 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. Subject to approval by the Shareholders at the EGM, Mr. Xu will enter into a service contract with the Company for a term of three years commencing from the date when his appointment is approved by the Shareholders at the EGM, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. The remuneration of Mr. Xu will be determined by the Board with reference to recommendations of the Remuneration and Appraisal Committee in accordance with its terms of reference and taking into account, among other matters, his duties and responsibilities.

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). From February 2017 to March 2019, he served as a shareholder representative Supervisor of the Company. Since June 2021, he has been serving as chief accountant of China Institute of Atomic Energy (中國原子能科學研究院). Mr. Chen has been a non-executive Director of the Company since June 2019 and the vice chairman of the Company since March 2021. Mr. Chen obtained a bachelor's degree in auditing (accounting) from Wuhan University in July 1986. Mr. Chen is a senior accountant. Subject to approval by the Shareholders at the EGM, Mr. Chen will enter into a service contract with the Company for a term of three years commencing from the date when his appointment is approved by the Shareholders at the EGM, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. Mr. Chen will not receive any remuneration in respect of his appointment as non-executive Director.

Mr. Ding Jianmin (丁建民), aged 51, is currently a non-executive Director and vice chairman 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. Subject to approval by the Shareholders at the EGM, Mr. Ding will enter into a service contract with the Company for a term of three years commencing from the date when his appointment is approved by the Shareholders at the EGM, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. Mr. Ding will not receive any remuneration in respect of his appointment as non-executive Director.

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. Subject to approval by the Shareholders at the EGM, Ms. Liu will enter into a service contract with the Company for a term of three years commencing from the date when her appointment is approved by the Shareholders at the EGM, and she shall be eligible for re-election and re-appointment upon the expiry of her term of office. Ms. Liu will not receive any remuneration in respect of her appointment as non-executive Director.

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. Subject to approval by the Shareholders at the EGM, Ms. Chang will enter into a service contract with the Company for a term of three years commencing from the date when her appointment is approved by the Shareholders at the EGM, and she shall be eligible for re-election and re-appointment upon the expiry of her term of office. Ms. Chang will not receive any remuneration in respect of her appointment as non-executive Director.

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 (金川集團

國際資源有限公司) (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 and a member of its Technical Consultation Panel and Mainland China Focus Group, 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 from City University of Hong Kong in November 1997. He also obtained a bachelor's degree in laws from University of Wolverhampton in the United Kingdom and a postgraduate diploma in laws from University of London. Subject to approval by the Shareholders at the EGM, Mr. Poon will enter into a service contract with the Company for a term of three years commencing from the date when his appointment is approved by the Shareholders at the EGM, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. The remuneration of Mr. Poon will be fixed at HK$200,000 (before tax) per annum, which is determined by the Board with reference to recommendations of the Remuneration and Appraisal Committee in accordance with its terms of reference and taking into account, among other matters, his duties and responsibilities, and is subject to the approval by Shareholders at the EGM.

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). Subject to approval by the Shareholders at the EGM, Mr. Tian will enter into a service contract with the Company for a term of three years commencing from the date when his appointment is approved by the Shareholders at the EGM, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. The remuneration of Mr. Tian will be fixed at RMB200,000 (before tax) per annum, which is determined by the Board with reference to recommendations of the Remuneration and Appraisal Committee in accordance with its terms of reference and taking into account, among other matters, his duties and responsibilities, and is subject to the approval by Shareholders at the EGM.

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. Subject to approval by the Shareholders at the EGM, Ms. Chen will enter into a service contract with the Company for a term of three years commencing from the date when her appointment is approved by the Shareholders at the EGM, and she shall be eligible for re-election and re-appointment upon the expiry of her term of office. The remuneration of Ms. Chen will be fixed at RMB150,000 (before tax) per annum, which is determined by the Board with reference to recommendations of the Remuneration and Appraisal Committee in accordance with its terms of reference and taking into account, among other matters, her duties and responsibilities, and is subject to the approval by Shareholders at the EGM.

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. Subject to approval by the Shareholders at the EGM, Mr. Lu will enter into a service contract with the Company for a term of three years commencing from the date when his appointment is approved by the Shareholders at the EGM, and he shall be eligible for re-election and re-appointment upon the expiry of his term of office. The remuneration of Mr. Lu will be fixed at RMB150,000 (before tax) per annum, which is determined by the Board with reference to recommendations of the Remuneration and Appraisal Committee in accordance with its terms of reference and taking into account, among other matters, his duties and responsibilities, and is subject to the approval by Shareholders at the EGM.

As at the Latest Practicable Date, save as disclosed, Mr. Zhang Junqi, Mr. Xu Hongchao, Mr. Chen Shoulei, Mr. Ding Jianmin, Ms. Chang Jinyu, Ms. Liu Xiuhong, Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang did not hold any other positions with the Company or other members of the Group, nor did they hold any other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the Latest Practicable Date, save as disclosed, Mr. Zhang Junqi, Mr. Xu Hongchao, Mr. Chen Shoulei, Mr. Ding Jianmin, Ms. Chang Jinyu, Ms. Liu Xiuhong, Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang did not have any relationships with any Directors, Supervisors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed, there are no other matters relating to the appointments of each of Mr. Zhang Junqi, Mr. Xu Hongchao, Mr. Chen Shoulei, Mr. Ding Jianmin, Ms. Chang Jinyu, Ms. Liu Xiuhong, Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

6. PROPOSED APPOINTMENTS OF SUPERVISORS

I. Introduction

Reference is made to the announcement of the Company dated 12 October 2023 in relation to the proposed appointments of the Supervisors.

On 12 October 2023, the board of Supervisors (the "**Board of Supervisors**") of the Company resolved to propose the appointments of Mr. Liu Zhonglin, Mr. Zhao Nanfei and Mr. Zhang Guoping as Supervisors of the fourth session of the Board of Supervisors of the Company. The above appointments are subject to the approval by the Shareholders at the EGM and will become effective upon the approval by the Shareholders at the EGM. The Board of Supervisors also resolved that if the above appointment of Mr. Liu Zhonglin is approved by the Shareholders at the EGM, Mr. Liu Zhonglin will take position as chairman of the Board of Supervisors.

II. Background of the Nominated 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.

Mr. Zhao Nanfei (趙南飛), aged 44, 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 2021, he served as deputy chief of Industrial Development Division in China Institute of Atomic Energy. Since 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.

As at the Latest Practicable Date, save as disclosed, Mr. Liu Zhonglin, Mr. Zhao Nanfei and Mr. Zhang Guoping did not hold any other positions with the Company or other members of the Group, nor did they hold any other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the Latest Practicable Date, save as disclosed, Mr. Liu Zhonglin, Mr. Zhao Nanfei and Mr. Zhang Guoping did not have any relationships with any Directors, Supervisors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor have any interest in the shares of the Company within the meaning of Part XV of the SFO. Subject to approval by the Shareholders at the EGM, each of Mr. Liu Zhonglin, Mr. Zhao Nanfei and Mr. Zhang Guoping will enter into a service contract with the Company for a term of three years commencing from the date when each of their appointments is approved by the Shareholders at the EGM, and they shall be eligible for re-elections and re-appointments upon the expiry of their respective terms of office. Mr. Liu Zhonglin, Mr. Zhao Nanfei and Mr. Zhang Guoping will not receive any remuneration in respect of their appointments as Supervisors.

Save as disclosed, there are no other matters relating to the appointment of each of Mr. Liu Zhonglin, Mr. Zhao Nanfei and Mr. Zhang Guoping that need to be brought to the attention of the Shareholders, nor is there any information that needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

7. EGM

The Company will convene the EGM at 10:30 a.m. on Friday, 22 December 2023 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China. Notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. The proxy form for the EGM is enclosed herewith.

Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (i.e. 10:30 a.m. on Thursday, 21 December 2023) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

In accordance with the Listing Rules, any Shareholder who has a material interest in (i) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (ii) the Equity Transfer Agreement and the transactions contemplated thereunder is required to abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date, CNNC, directly and indirectly, holds approximately 73.83% of the Company's total issued share capital, and is the controlling Shareholder of the Company. CNNC and its associates will therefore abstain from voting on all resolutions in relation to (i) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (ii) the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM in which they have material interests. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, none of the other Shareholders shall abstain from voting on the resolutions in relation to (i) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and (ii) the Equity Transfer Agreement and the transactions contemplated thereunder.

8. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 82 of the Articles, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM will demand a poll in relation to every resolution proposed at the EGM.

9. RECOMMENDATION

Your attention is drawn to:

(i) the letter from the Independent Board Committee set out on pages 33 to 34 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to whether 1) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and 2) the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, are being entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole; and

(ii) the letter from Rainbow Capital set out on pages 35 to 82 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in relation to 1) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and 2) the Equity Transfer Agreement and the transactions contemplated thereunder.

The Board (including the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) considers that all resolutions to be proposed at the EGM are in the interests of the Company and the Shareholders as a whole, and recommends the Shareholders to vote in favour of all such resolutions.

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
China Isotope & Radiation Corporation
Wang Suohui
Chairman

Beijing, the PRC, 6 December 2023

CHINA ISOTOPE & RADIATION CORPORATION
中國同輻股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1763)

6 December 2023

To Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTION
RENEWAL OF THE EXISTING ENGINEERING CONSTRUCTION SERVICES FRAMEWORK AGREEMENT
AND
CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST IN BNIBT TO CNNC HEALTH

We refer to the circular of the Company to the Shareholders dated 6 December 2023 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether 1) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and 2) the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, are being entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to you and us in relation to 1) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and 2) the Equity Transfer Agreement and the transactions contemplated thereunder. Details of its recommendation are set out in Letter from Rainbow Capital on pages 35 to 82 of the Circular.

Your attention is also drawn to the Letter from the Board set out on pages 5 to 32 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the opinion of the Independent Financial Adviser in relation to 1) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and 2) the Equity Transfer Agreement and the transactions contemplated thereunder, we consider that such terms are on normal commercial terms which are fair and reasonable, are being entered into in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that you vote in favour of the ordinary resolutions set out in the notice of EGM to approve 1) the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps); and 2) the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Poon Chiu Kwok **Mr. Tian Jiahe** **Ms. Chen Jingshan** **Mr. Lu Chuang**

Independent non-executive Directors

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular.

Rainbow Capital (HK) Limited

6 December 2023

To the Independent Board Committee and the Independent Shareholders

China Isotope & Radiation Corporation
5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
RENEWAL OF THE EXISTING ENGINEERING CONSTRUCTION
SERVICES FRAMEWORK AGREEMENT
AND
CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST IN BNIBT TO CNNC HEALTH**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Renewed Engineering Construction Services Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder; and (ii) the Disposal (altogether, the "**Transactions**"), details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 6 December 2023 (the "**Circular**"), of which this letter forms a part of. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

The Renewed Engineering Construction Services Framework Agreement

On 23 December 2022, the Company entered into the Existing Engineering Construction Services Framework Agreement with CNNC, pursuant to which CNNC and/or its associates would provide engineering construction services to the Group, including (i) the Construction Services; (ii) the Equipment Services; and (iii) the Consultation Services for the year ending 31 December 2023. With a view to continuing the transactions thereunder, on 31 October 2023, the Board has resolved to renew the Existing Engineering Construction Services Framework Agreement and the Company has entered into the Renewed Engineering Construction Services Framework Agreement with CNNC for a term of two years ending 31 December 2025.

As at the Latest Practicable Date, CNNC holds approximately 73.83% of the Company's total issued share capital directly and indirectly, and is the controlling Shareholder of the Company. As such, CNNC and its associates are the connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Renewed Engineering Construction Services Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps for the Renewed Engineering Construction Services Framework Agreement exceed 5% but are less than 25%, the transactions contemplated under the Renewed Engineering Construction Services Framework Agreement are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of CNNC's interests in the Renewed Engineering Construction Services Framework Agreement, CNNC and/or its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, none of the other Shareholders shall abstain from voting on the resolutions in relation to the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

The Equity Transfer Agreement

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 with a consideration of RMB260,115,800 (the "**Consideration**"). 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.

As at the Latest Practicable Date, CNNC directly and indirectly holds approximately 73.83% of the total issued share capital of the Company and is the controlling Shareholder of the Company. China Baoyuan, a wholly-owned subsidiary of CNNC, holds approximately 45% equity interest in CNNC Health. Accordingly, CNNC, China Baoyuan and CNNC Health are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Equity Transfer Agreement and the transactions contemplated thereunder exceed 5% but are less than 25%, the Equity Transfer Agreement the transactions contemplated thereunder are subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The entering into of the Equity Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company under Chapter 14A of the Listing Rules.

In view of CNNC's interests in the Equity Transfer Agreement, CNNC and its associates are required to abstain and shall abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and transactions contemplated thereunder. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, none of other Shareholders shall abstain from voting on the resolution in relation in the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang, has been formed to advise the Independent Shareholders on (i) whether the entering into the Transactions are conducted in the ordinary and usual course of the Group; and (ii) whether the terms of the Transactions are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, CNNC, CNNC Health or BNIBT that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) the revision of annual cap of continuing connected transactions in relation to the renewed financial services agreement, details of which are set out in the circular of the Company dated 23 August 2022; and (ii) the major and continuing connected transactions in relation to the renewed financial services agreement, the revision of annual caps of continuing connected transactions in relation to the Existing Engineering Construction Services Framework Agreement and the amendment to the terms of the fund partnership agreement, details of which are set out in the circular of the Company dated 15 May 2023. Other than that, there was no engagement or connection between the Group, CNNC, CNNC Health or BNIBT and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Transactions. Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Transactions.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available and corroborated and substantiated any public information referred to in this letter to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, BNIBT or any of their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Transactions, we have taken into account the principal factors and reasons set out below:

A. The Renewed Engineering Construction Services Framework Agreement

1. Information of the Group and CNNC

(i) The Group

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) services for the design, manufacturing and installation of gamma ray irradiation facilities and the provision of independent clinical laboratory services and nuclear medical equipment to hospitals and other medical institutions.

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 December 2022 ("**FY2021**" and "**FY2022**", respectively) as extracted from the Company's annual report for FY2022; and (ii) the six months ended 30 June 2022 and 2023 ("**6M2022**" and "**6M2023**", respectively) as extracted from the Company's interim report for 6M2023 (the "**2023 Interim Report**"):

(a) Financial performance

	FY2021	**FY2022**	**6M2022**	**6M2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	5,143,694	6,146,172	2,619,579	2,740,586
– Pharmaceuticals	3,753,365	3,923,267	1,764,175	1,787,803
– Radioactive source products	520,167	580,929	171,964	226,498
– Irradiation	144,130	164,688	73,994	76,714
– Radiation therapy equipment and related services	390,002	732,182	269,298	402,114
– Other businesses	336,030	745,106	340,148	247,457
Gross profit	3,241,904	3,514,679	1,532,792	1,484,841
Other income, gains and losses	61,569	91,183	36,386	30,622
Selling and distribution expenses	(1,820,458)	(1,787,952)	(872,858)	(779,465)
Administrative expenses	(497,984)	(573,463)	(241,609)	(246,773)
Research and development costs	(196,214)	(300,510)	(116,556)	(135,508)
Share of profit of joint ventures	53,698	33,548	7,609	20,759
Profit before tax	802,678	920,511	312,077	350,590
Profit attributable to the Shareholders	335,751	391,605	111,986	126,897

FY2022 compared to FY2021

Revenue of the Group increased by approximately 19.5% from approximately RMB5,143.7 million for FY2021 to approximately RMB6,146.2 million for FY2022 and recorded growth in every segment, in particular, significant growth had been recorded from the radiation therapy equipment and related services segment as well as other businesses segment. Such increase was primarily attributable to the Group's continued increase in market development efforts.

In line with the increase in revenue, gross profit of the Group increased by approximately 8.4% from approximately RMB3,241.9 million for FY2021 to approximately RMB3,514.7 million for FY2022.

The Group's profit attributable to the Shareholders amounted to approximately RMB391.6 million for FY2022, representing an increase of approximately 16.6% from approximately RMB335.8 million for FY2021. Such increase was primarily attributable to (1) the increase in total revenue and gross profit as mentioned above; (2) the increase in other income, gains and losses by approximately RMB29.6 million mainly due to the increase in government subsidies in 2022; and (3) the decrease in selling and distribution expenses by approximately RMB32.5 million mainly due to (i) the decrease in sales promotion services as a result of the pandemic; and (ii) the decrease in sales service fees due to the changes in pharmaceuticals sales policies, which was partially offset by (1) the increase in administrative expenses by approximately RMB75.5 million mainly due to the increased research and development expenses resulting from more investments in research and development and the increased employee compensation; and (2) the increase in research and development costs by approximately RMB104.3 million.

6M2023 compared to 6M2022

Revenue of the Group increased by approximately 4.6% from approximately RMB2,619.6 million for 6M2022 to approximately RMB2,740.6 million for 6M2023, mainly due to the increase in radioactive source products segment and the radiation therapy equipment and related services segment as a result of the Group's hard work to develop the market during the period.

Despite the increase in revenue during the period, gross profit of the Group decreased by approximately 3.1% from approximately RMB1,532.8 million for 6M2022 to approximately RMB1,484.8 million for 6M2023 as a result of the decrease in the Group's gross profit margin from approximately 58.5% for 6M2022 to approximately 54.2% for 6M2023. The decrease in gross profit margin was primarily attributable to a change in the Company's sales structure as a result of an increase in the business volume and revenue share of the radiation therapy equipment which, due to the nature of its business, had a lower gross profit margin than other business segments of the Group.

The Group's profit attributable to the Shareholders amounted to approximately RMB126.9 million for 6M2023, representing an increase of approximately 13.3% from approximately RMB112.0 million for 6M2022. Such increase was primarily attributable to (1) the decrease in selling and distribution expenses by approximately RMB93.4 million mainly due to (i) the decrease in sales service expenses as a result of the decrease in other businesses; and (ii) the decrease in sales service fees due to the changes in pharmaceuticals sales policies; and (2) the increase in share of profit of joint ventures by approximately RMB13.2 million mainly due to the increase in profits from two of the Group's joint ventures, which was partially offset by (i) the decrease in gross profit as mentioned above; and (ii) the increase in research and development costs by approximately RMB19.0 million mainly due to the increase of research and development investment and technological innovation by the Group.

(b) Financial position

	As at 31 December		As at 30 June
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)* *(restated)*	*(unaudited)*
Non-current assets, including:	3,817,187	4,173,822	4,353,412
Property, plant and equipment	2,512,947	2,820,749	2,947,638
Interests in joint ventures	594,252	512,867	518,279
Deferred tax assets	214,445	222,476	228,798
Current assets, including:	6,656,781	7,512,710	7,443,402
Inventories	691,923	677,636	835,682
Trade and bill receivables	2,821,153	3,501,338	3,591,530
Cash at bank	2,748,190	2,923,191	2,199,653
Total assets	10,473,968	11,686,532	11,796,814
Current liabilities, including:	3,971,662	3,987,790	4,060,179
Bank loans	118,084	18,196	88,065
Trade payables	337,856	488,288	554,095
Accruals and other payables	2,816,406	3,270,735	3,258,060
Net current assets	2,685,119	3,524,920	3,383,223
Non-current liabilities, including:	470,918	1,145,280	1,241,129
Bank loans	144,680	786,513	858,670
Total liabilities	4,442,580	5,133,070	5,301,308
Equity attributable to the Shareholders	4,179,290	4,465,513	4,453,232

As at 30 June 2023, total assets of the Group amounted to approximately RMB11,796.8 million, which mainly included (1) property, plant and equipment of approximately RMB2,947.6 million, mainly representing the Group's buildings, machinery and equipment and construction in progress; (2) interests in joint ventures of approximately RMB518.3 million; (3) inventories of approximately RMB835.7 million; (4) trade and bill receivables of approximately RMB3,591.5 million; and (5) cash at bank of approximately RMB2,199.7 million.

As at 30 June 2023, total liabilities of the Group amounted to approximately RMB5,301.3 million, which mainly included (1) trade payables of approximately RMB554.1 million; (2) accruals and other payables of approximately RMB3,258.1 million which mainly consisted of deposits from distributors, payables to distributors, payables for staff-related costs and dividends payables; and (3) bank loans of approximately RMB946.7 million.

As at 30 June 2023, the Group had net current assets of approximately RMB3,383.2 million and equity attributable to the Shareholders of approximately RMB4,453.2 million.

(c) Overall comment

The financial performance of the Group improved and recorded increase in revenue and net profit in FY2022 and 6M2023, primarily attributable to the Group's continued increase in market development efforts. The Group also maintained a healthy financial position with net current assets and equity attributable to the Shareholders amounting to approximately RMB3,383.2 million and RMB4,453.2 million, respectively, as at 30 June 2023.

According to the 2023 Interim Report, in the first half of 2023, the Group continued to increase its market development efforts and proactively seized market opportunities, resulting in the improvement of various economic indicators. For instance, the Group continued to promote its brand building efforts, optimize its internal marketing platform, and worked with nuclear medicine experts to promote the standardization of nuclide therapy, thereby continuously expanding its influence. Going forward, the Group intends to continue to promote its "Overall Nuclear Medicine Solutions". Under this development strategy, the Group established the Nuclear Medicine Development Center, accelerated the promotion and implementation of Overall Nuclear Medicine Solutions with the Group's resources, and initiated the arrangement and construction of intelligent nuclear medicine.

In order to meet the growing demand for radiopharmaceuticals in China in a timely manner, the Group accelerated the national layout of its pharmaceutical centers in the first half of 2023, during which Xi'an pharmaceutical center was completed and put into operation, bringing the cumulative number of centers in operation to 24, six pharmaceutical centers have entered the construction/certification stage, and four were in the pre-project phase, gradually improving the network layout of national pharmaceutical centers. In order to further enhance the R&D and production capacity of the Group in the fields of radiopharmaceuticals and radioactive sources, the Group had been vigorously promoting the construction of R&D and production bases of isotopes and its products in recent years. The construction of CNNC Qinshan isotope production base project proceeded in an orderly manner, which will become the largest isotope production base in China after completion and is of great significance to enhance China's isotope nationalization capability. A newly planned research, development and production base for radioactive sources was also being actively promoted.

(ii) CNNC

CNNC was established on 29 June 1999 and is principally engaged in 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. The ultimate beneficial owner of CNNC is the State-owned Assets Supervision and Administration Commission of the State Council.

2. Reasons for and benefits of the entering into of the Renewed Engineering Construction Services Framework Agreement

On 23 December 2022, the Company entered into the Existing Engineering Construction Services Framework Agreement with CNNC, pursuant to which CNNC and/or its associates would provide engineering construction services to the Group, including (i) the Construction Services; (ii) the Equipment Services; and (iii) the Consultation Services for the year ending 31 December 2023.

As disclosed in the Letter from the Board, the Group has invested in many construction projects throughout its rapid development. In particular, as the preliminary work of several base projects has been further promoted recently and such projects will enter the construction stage, the Group will conclude a large number of specific engineering construction service contracts in succession.

The Group's construction projects require relatively complex radiation protection, and shall be completed by professional service providers with relevant qualifications and experiences. There is limited number of such service providers with relevant qualifications and experience in China, and the majority of them are CNNC and/or its associates. Therefore, it is very likely that the Group's engineering construction services will be eventually provided by CNNC and/or its associates regardless how the Group selects engineering construction service providers. In addition, according to the Bidding Law of the PRC, the tenderee and the successful tenderer shall enter into a written contract within 30 days from the date of issuing the bid-winning notice. Therefore, the Company shall enter into the Renewed Engineering Construction Services Framework Agreement in advance and implement the annual caps thereunder.

As the Existing Engineering Construction Services Framework Agreement will expire on 31 December 2023, with a view to continuing the engineering construction services to be provided by CNNC and/or its associates, the Board resolved on 31 October 2023 to enter into the Renewed Engineering Construction Services Framework Agreement with CNNC to renew the term for a term of two years ending 31 December 2025. Given the background of CNNC and the fact that there is limited number of such service providers with relevant qualifications and experience in China, we concur with the Directors that the continuous provision of the engineering construction services by CNNC and/or its associates to the Group would enable the Group to facilitate the development of its pharmaceutical centers, R&D and production base projects, thereby further enhance the Group's production and research capacity.

Based on the above, we concur with the Directors that the entering into of the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Renewed Engineering Construction Services Framework Agreement

Details of the terms of the Renewed Engineering Construction Services Framework Agreement are set out in the Letter from the Board, which are summarized as follows:

Parties	:	the Company (the purchaser); and CNNC (the supplier).
Principal terms	:	CNNC and its associates (excluding the Group) will provide the following services to members of the Group: (i) the Construction Services; (ii) the Equipment Services; and (iii) the Consultation Services.
Term	:	The agreement will come into force on 1 January 2024 and expire on 31 December 2025, subject to renewal as may be agreed and negotiated upon by both parties.
Pricing policy	:	The following factors shall be considered in determining the amount payable under each specific engineering construction contract: (i) the cost for relevant products and services (including labour costs and material costs); (ii) the market conditions learnt by the Group from suppliers (including CNNC and its associates and independent suppliers); and (iii) where contract prices with respect to purchase and sales contracts are considered significant under each head of services that they are classed under (as more particularly set forth herein below), public tenders shall be conducted in accordance with the internal tendering procedures of the Group, and, in each case, the final price shall be determined based on the results of such process. Details of the pricing policy is summarized as follows:

(i) Construction Services: where the contract price for a contract classed hereunder is estimated to be greater than or equal to RMB4 million, service providers shall be selected through tendering process. Thus, if such being the case then the Company will determine whether it will opt for services provided by CNNC and/or its associates based on the results of such process, and once tender is awarded thereto, the award price shall be the price stipulated in the contract submitted to tender. When selection of service providers is not made through tender, the Company shall base its decision on whether to opt for services provided by CNNC and/or its associates on the outcome of evaluation and review of the contractual terms, and the contract price shall be determined through arm's length negotiations amongst the parties (provided that the price so determined shall not be in violation of any applicable laws, regulations and relevant national requirements).

(ii) Equipment Services: where the contract price for a contract classed hereunder is estimated to be greater than or equal to RMB2 million, service providers shall be selected through tendering process. Thus, if such being the case then the Company will determine whether it will opt for services provided by CNNC and/or its associates based on the results of such process, and once tender is awarded thereto, the award price shall be the price stipulated in the contract submitted to tender. When selection of service providers is not made through tender, the Company shall base its decision on whether to opt for services provided by CNNC and/or its associates on the outcome of evaluation and review of the contractual terms, and the contract price will be determined through arm's length negotiations amongst the parties (provided that the price so determined shall not be in violation of any applicable laws, regulations and relevant national requirements).

(iii) Consultation Services: where the contract price for a contract classed hereunder is greater than or equal to RMB1 million, service providers shall be selected through tendering process. Thus, if such being the case then the Company will determine whether it will opt for services provided by CNNC and/or its associates based on the results of such process, and once tender is awarded thereto, the award price shall be the price stipulated in the contract submitted to tender. When selection of services providers is not made through tender, the Company shall base its decision on whether to opt for services provided by CNNC and/or its associates on the outcome of evaluation and review of the contractual terms, and the contract price will be determined through arm's length negotiations amongst the parties (provided that the price so determined shall not be in violation of any applicable laws, regulations and relevant national requirements).

We have compared the terms of the Renewed Engineering Construction Services Framework Agreement with those of the Existing Engineering Construction Services Framework Agreement and noted that except for the term, other terms of the Renewed Engineering Construction Services Framework Agreement remain principally the same as those under the Existing Engineering Construction Services Framework Agreement, including but not limited to the scope of services and pricing policy.

As stated above, it is stipulated under the pricing policy of the Renewed Engineering Construction Services Framework Agreement that, (i) where contract prices with respect to purchase and sales contracts are considered significant under each head of services that they are classed hereunder, service providers shall be selected through tender process. In this case, the Company will determine whether it will opt for services provided by CNNC and/or its associates based on the results of such process, and once tender is awarded thereto, the award price shall be the price stipulated in the contract submitted to tender; and (ii) when selection of service providers is not made through tender, the Company shall base its decision on whether to opt for services provided by CNNC and/or its associates on the outcome of evaluation and review of the contractual terms, and the contract price will be determined through arm's length negotiations amongst the parties (provided that the price so determined shall not be in violation of any applicable laws, regulations and relevant national requirements).

According to the internal control policy of the Group, in conducting the tendering process, the Group will organize public tender procedures in accordance with its internal tendering rules. The business procurement department of the Company shall consider and approve the procurement protocol and establish the tendering working group, which is responsible for the preparation of the tendering protocol and arrange for the relevant approvals required for and during tender process to be obtained from the senior management, the Board or the Shareholders (as appropriate in accordance with the Company's internal control policies). A tendering review committee will be established by the tendering working group or the central management department of the Company (as the case may be) to review the tender either carried out by entrusted agency or by the Group. The tendering review committee shall comprise both of representatives of the tenderee and technical and economic experts independent from the tenderee (selected based on the criteria as specified in the Group's internal tendering rules), total of which shall be in odd number of more than 5, with no less than two thirds of them being such technical and economic experts. Participation of tender shall be by no less than 3 qualified tenderers that satisfy the qualification requirements as set forth in the relevant tendering documents. The tendering working group or the central management department of the Company (as the case maybe) will announce the outcome of the tender. The tendering working group, the central management department of the Company or the tendering agency, as the case may be, will issue bid-winning notice and the business procurement department will arrange for the signing of the relevant contract with the bid winner. Determination of the successful tenderer is made after due consideration of the evaluation principles and criteria so specified in the relevant tendering documents, as well as the relevant qualifications, experience and prices so offered by the tenderers. For the Company's contracts that are submitted for tender, the contract price shall be the offer price of the successful tenderer. In order to assess whether the above internal control procedures are sufficiently and effectively implemented, we have selected on a random basis, obtained and reviewed (i) seven, the only one and three sets of tender documents for the Construction Services, the Equipment Services and the Consultation Services of the Group during 2021 to 2023, respectively, with the winning bidder being CNNC and/or its associates; and (ii) four, four and three sets of tender documents for the Construction Services, the Equipment Services and the Consultation Services of the Group during 2021 to 2023, respectively, with the winning bidder being independent third parties. Based on our review of the tender documents, including but not limited to tendering announcement, tendering documents of CNNC and its associates and other independent qualified tenders, bid-wining notice and duly signed contracts, we noted that the Group had adhered to the internal procedures on tender process on each of the Construction Services, the Equipment Services and the Consultation Services, and the winning tenders were generally selected based on, among others, the price of the tender being more favourable than the other tenders.

In respect of services that are not selected through tender process, the Group will arrange for separate negotiations with CNNC and/or its associates and independent suppliers, upon which, prices shall be determined by taking into account, in each case, the aggregated total actual costs for services provided, whilst allowing for reasonable profits and factoring in taxes so payable. The management will consider, and before payment is approved in each case, the quotations of at least two comparable transactions with independent suppliers for the same period, where possible, so as to assess the reasonableness of the profits so gained by the Company's supplier for services so rendered under the Renewed Engineering Construction Services Framework Agreement. In this relation, we have also obtained and reviewed the only one, five and eight sets of agreements entered between the Group and CNNC and/or its associates and their corresponding comparable quotations with independent suppliers for the Construction Services, the Equipment Services and the Consultation Services during 2021 to 2023, respectively. Based on our review, we noted that the Group had also followed the internal procedures on quotations and the price and/or quality of services offered by CNNC and/or its associates were no less favourable than those provided by independent third parties.

Based on the review of the above documents, we consider the pricing policy of the Construction Services, the Equipment Services and the Consultation Services has been adherence in accordance with the Group's internal control procedures.

Taking into account that (i) except for the term, other terms of the Renewed Engineering Construction Services Framework Agreement remain principally the same as those under the Existing Engineering Construction Services Framework Agreement; and (ii) the Group has adopted sufficient and effective internal control measures to ensure the transactions in relation to the Construction Services, the Equipment Services and the Consultation Services follow the pricing mechanism under the Renewed Engineering Construction Services Framework Agreement, we consider the terms of the Renewed Engineering Construction Services Framework Agreement are on normal commercial terms which are fair and reasonable.

4. Assessment of the proposed annual caps

(i) Review of historical figures

Set out below are the historical annual caps and actual transaction amounts of the the Existing Engineering Construction Services Framework Agreement for the period indicated:

	Annual cap for the year ending 31 December 2023 *(A)* *(RMB'000)*	**Actual amount incurred for the nine months ended 30 September 2023** *(B)* *(RMB'000)*	**Utilization rate** *(B/A)*
Construction Services	600,000	99,359	16.6%
Equipment Services	100,000	–	0.0%
Consultation Services	100,000	1,703	1.7%

As shown in the table above, the actual transaction amount for each of the Construction Services, the Equipment Services and the Consultation Services provided by CNNC and/or its associates to the Group under the Existing Engineering Construction Services Framework Agreement amounted to approximately RMB99.4 million, nil and RMB1.7 million for the nine months ended 30 September 2023, respectively, representing approximately 16.6%, nil and 1.7% of the respective annual cap in 2023. As advised by the management of the Group, such low utilization rates in 2023 were primarily attributable to that the annual target for 2023 was to complete the construction of the main body of the buildings and the relevant payments were scheduled to be made upon such main body construction completion. Once the relevant payment stages are reached, the Company would pay the relevant amounts and record the corresponding amounts in the actual transaction amounts. In respect of the Equipment Services and the Consultation Services, they are mostly required in the later stage of the construction and therefore recorded relatively low utilization rates in 2023. As the Group's projects were still under construction currently, the management of the Group expected that the main body construction will be completed at the end of 2023 so that the principal portion of the payments will be made until the end of 2023, resulting in the relatively low historical transaction amounts for the nine months ended 30 September 2023.

(ii) Assessment of the proposed annual caps

Pursuant to the Renewed Engineering Construction Services Framework Agreement, the proposed annual caps for the engineering construction services fees payable by the Group for each of the two years ending 31 December 2025 are set out below:

	For the year ending 31 December 2024 *(RMB'000)*	**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

In assessing the reasonableness of the proposed annual caps under the Renewed Engineering Construction Services Framework Agreement, we have discussed with the management of the Group on the basis and assumptions underlying the projections for the engineering construction services to be provided to the Group. As advised by the management of the Group, in determining the proposed annual caps for the two years ending 31 December 2025, they have taken into account, among others, (a) the Company's "14th Five-Year Plan", under which seven projects have been approved, with completion of main body construction and equipment installation being contemplated during 2024 and 2025 pursuant to the relevant payment milestones, and approvals of new projects thereunder are also expected during 2024 and 2025; (b) the Company's expected payment of approximately RMB400 million per year for each of 2024 and 2025, for all the Construction Services, the Equipment Services and the Consultation Services provided for the aforementioned seven projects; and (c) the Company's setting aside of such further sums, factored in as estimated fees payable for and/or costs incurred on new projects, where approvals and payments thereof are contemplated during 2024 and 2025.

We have discussed with the management of the Group on each of the above factors and their potential impacts on the proposed annual caps and reviewed the relevant investment plan and calculations. According to the management of the Group, the progress of construction and approval progress of certain R&D and production base of the Group had been disrupted in 2022 due to the pandemic and the relevant lockdown measures. As the impact of the pandemic and lockdown measures eased since the beginning of 2023, the approval and construction progress had rapidly picked up to catch the original progress and a number of projects have entered the construction period in 2023 and are expected to complete in 2024 or 2025, including but not limited to, the Company's radioactive source manufacturing bases, the diagnostic and therapeutic molecular targeted drugs R&D and production center located in Shanghai, the isotope medicine centers located in Tianjin and Guiyang and Qinshan isotope production base. In this regard, in order to assess the fairness and reasonableness of the proposed annual caps of the Construction Services, we have obtained and reviewed, among others, the construction contracts in relation to the construction of these five facilities, and we noted that (a) the aggregated contract sum of these five contracts amounted to approximately RMB785.3 million; and (b) the actual construction period of these five projects commenced from the second half of 2022 or early 2023 and are expected to complete by the end of 2025. As the approval and construction progress had resumed and picked up at a rapid speed since the 2023, the management of the Group expected the construction of these five facilities would be completed on schedule in 2024 and 2025. Accordingly, a substantial portion of the contract sum for the construction of these facilities is expected to be recognized in the coming two years.

As discussed in the sub-section headed "1. Information of the Group and CNNC – (i) the Group", in order to meet the growing demand for radiopharmaceuticals in China in a timely manner, the Group has accelerated the national layout of its pharmaceutical centers in the first half of 2023, during which four were in the pre-project phase. Moreover, in order to further enhance the R&D and production capacity of the Group in the fields of radiopharmaceuticals and radioactive sources, the Group has been vigorously promoting the construction of R&D and production bases of isotopes and its products in recent years. Against this backdrop, according to our discussion with the management of the Group and review on the relevant project plans, we noted that the Group has planned to expand its radioactive source manufacturing bases into phase II and establish an irradiation R&D center and a nuclear medicine pharmaceutical center with estimated total investments amounting to approximately RMB1,136.9 million.

In respect of the Equipment Services and the Consultation Services, we have further obtained and reviewed the contracts of the Equipment Services and the Consultation Services that are currently effective and in progress. We noted that the total contract sum for the Equipment Services and the Consultation Services amounted to approximately RMB10.0 million and RMB14.8 million, respectively. As advised by the management of the Group, although the contracted amount for the Equipment Services and the Consultation Services were substantially lower than the proposed annual caps, taken into account (a) the contracts for the Equipment Services and the Consultation Services were generally in a shorter timeframe as compared to contracts for the Construction Services, and hence the total contracted amount currently effective would only represent part of the annual sum; (b) the construction of the facilities may require additional Equipment Services and Consultation Services from time to time, especially near construction completion when the relevant nuclear medical equipment needs to be installed in the constructed pharmaceutical centers, it is reasonable for the Company to maintain sufficient buffer under the proposed annual caps for the Equipment Services and the Consultation Services.

In reviewing the proposed annual caps under the Renewed Engineering Construction Services Framework Agreement, we have also performed independent research on the industry outlook of radiopharmaceuticals sector in the PRC. According to 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)), jointly issued by the China Atomic Energy Authority, the Ministry of Science and Technology, the National Medical Products Administration and five other government authorities in May 2021, it aims to advance the research and development of new radiopharmaceuticals, accelerate the realization of independent production and supply of medical isotopes, promote the clinical application of radiopharmaceuticals and increase the concern and awareness of medical isotopes and related industries from all walks of life. In January 2023, Sichuan province released the "Action Plan for the Development of Medical Isotopes and Radiopharmaceuticals Industry in Sichuan Province (2022-2025)" (四川省醫用同位素及放射性藥物產業發展行動計劃(2022-2025)), it proposes that efforts will be made to build an advanced and complete nuclear medical and health industry system in Sichuan province. With the promulgation of favorable government policies to support the development and supply of the medical isotopes in the PRC, the Chinese radiopharmaceuticals market is expected to continue to grow in future. As such, in order to meet the growing demand on the medical isotopes and radiopharmaceuticals in a timely manner, it is expected that the Group will (a) vigorously enhance production capacity; (b) fully promote the construction of key projects such as medical isotopes, radiopharmaceuticals and radioactive source research and development and production bases; and (c) promote the national layout of pharmaceutical centers in succession. Accordingly, we consider the Group's expected future business growth and its corresponding requirements on the engineering construction, equipment and consultation services to be reasonable. Generally speaking, in our opinion, it is in the interests of the Group and the Independent Shareholders to determine the proposed annual caps in a way that can accommodate the potential growth of the Group's business. Provided that the transactions contemplated under the Renewed Engineering Construction Services Framework Agreement are subject to annual review by the independent non-executive Directors and auditors of the Company (as discussed below) as required under the Listing Rules, the Group would have desirable flexibility in conducting its businesses if the proposed annual caps are tailored to future engineering construction needs to support its future business growth and production and research capacity expansion.

Taking into account (a) the Group's ongoing construction of the five existing projects and its plan to invest and construct three new facilities to accelerate its pace of building technological innovation ability and production capacity; (b) the total contract sum for the Construction Services that are currently effective and the expected investment amount of the three new facilities; (c) that the Equipment Services and the Consultation Services are auxiliary to the Construction Services which will be generally required and needed to be provided in a shorter timeframe; and (d) the flexibility required by the Group to enter into contracts for the Equipment Services and the Consultation Services from time to time, we are of the view that the proposed annual caps under the Renewed Engineering Construction Services Framework Agreement are fair and reasonable.

5. Internal control measures of the Group

In order to protect the interests of the Shareholders, the Group has adopted certain internal control procedures to monitor the utilization of the annual cap, details of which are set out in the section headed "Internal Control System for Continuing Connected Transaction under the Renewed Engineering Construction Services Framework Agreement" in the Letter from the Board.

As stated in the Letter from the Board, the Company has established (i) the reporting, approval and, if necessary, selection and verification procedures, to ensure that the agreed prices and terms of the continuing connected transactions are no less favorable than those that may be granted by relevant members of the Group to the 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 (ii) the procedures and policies for the purpose of identifying the connected persons and monitoring the annual caps of continuing connected transactions. Such procedures and internal control measures mainly include:

(i) The Company has adopted such rules of internal control as exemplified by the Connected Transaction Management Measures;

(ii) Under the leadership of the Board, the Company has set up a connected transaction leading group headed by the chief financial officer, which is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts, etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organizing (on an annual basis) the training of connected transactions across the Group and conducting periodic supervision and inspection of the connected transactions, etc.;

(iii) Each subsidiary of the Group has established its own connected transaction group as headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are placed in charge of pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies while setting prices for each of the continuing connected transactions of the Company;

(iv) Under the leadership of the connected transaction leading group, the Company's internal control and risk management department conducts regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain comprehensive and effective. Further, the audit department (legal compliance department) is tasked with conducting prudent review of the connected transaction contracts, whilst the finance department is entrusted with the control of pricing of the connected transactions and the contract implementation department is responsible for monitoring the transaction amounts in a timely manner;

(v) Connected transactions of the Company shall be conducted in accordance with the Company's internal control procedures, and all of the Company's subsidiaries are required to submit implementation reports of connected transactions on a monthly basis. The Company shall thereupon consolidate, review, sum up and analyze data so collected in order to monitor the transaction amounts concerned and ensure that they are controlled within the annual caps, and recommends improvement measures for any issues identified;

(vi) The Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reposts where implementation of continuing connected transactions are being disclosed on a half-yearly basis. Matters under review shall mainly include: whether the Company and the relevant connected person(s) have performed the continuing connected transaction agreement during the relevant period and whether the actual transaction amounts incurred are within the annual caps as approved at the general meeting. Reports are made by the independent non-executive Directors on the performance of their duties to the general meeting of the Company on an annual basis. Such reports include opinions on (a) whether the actual transaction amounts incurred are within the annual caps under the continuing connected transactions as approved at the general meeting; (b) whether the continuing connected transactions are conducted pursuant to the relevant agreements; and (c) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole;

(vii) The supervisory committee of the Company supervises on matters pertaining to the continuing connected transactions. Among its responsibilities are the reviewing of annual financial reports and interim financial reports where implementation of continuing connected transactions is disclosed. It is also tasked with compliance review of connected transactions under the relevant regulatory requirements in domestic and overseas listing venues, and conducting review on whether the prices for such transactions are fair and reasonable and whether the performance of the obligations thereunder are detrimental to the interests of the Company and the Shareholders;

(viii) The audit committee of the Company reviews annual financial reports, annual reports, interim financial reports and interim reports where disclosure is made accordingly on the implementation of the continuing connected transactions and opines on the connected transactions during the reporting periods on matters such as the fairness of the connected transactions and whether the actual transaction amounts incurred are within the annual caps prescribed for the continuing connected transactions; and

(ix) The external auditor of the Company conducts interim and year-end audit for each financial year, issuers its opinions and letters to the Board in relation to the implementation of the pricing policies under the continuing connected transactions and whether the actual connected transaction amounts incurred are within the annual caps prescribed for the continuing connected transactions during the preceding year pursuant to the Listing Rules and submits the same to the Stock Exchange.

For each of those contracts classed under the Construction Services, the Equipment Services and the Consultation Services:

(i) Where tender is required under applicable laws, regulations and rules, the Group will organize public tender procedures in accordance with the Company's internal tendering rules. The business procurement department of the Company shall consider and approve the procurement protocol and establish the tendering working group, which is responsible for the preparation of the tendering protocol and arrange for the relevant approvals required for and during tender process to be obtained from the senior management, the Board or the Shareholders (as appropriate in accordance with the Company's internal control policies). In cases where conduct of the process of tender shall be entrusted to a tendering agency in accordance with the Group's internal tendering rules, the tendering working group will arrange for approval of the tender documents, select and supervise the tendering agency to be entrusted to organize and review the tender process and announce the outcome. Where the tender process is conducted by the Group, the tendering working group will prepare the tendering documents and arrange for approval and publication thereof, as well as complete the relevant work required prior to the commencement of the tender process. A tendering review committee will be established by the tendering working group or the central management department of the Company (as the case may be) to review the tender either carried out by entrusted agency or by the Group. The tendering review committee shall comprise both of representatives of the tenderee and technical and economic experts independent from the tenderee (selected based on the criteria as specified in the Group's internal tendering rules), total of which shall be in odd number of more than 5, with no less than two thirds of them being such technical and economic experts. Participation of tender shall be by no less than 3 qualified tenderers that satisfy the qualification requirements as set forth in the relevant tendering documents. The tendering working group or the central management department of the Company (as the case maybe) will announce the outcome of the tender. The tendering working group, the central management department of the Company or the tendering agency, as the case may be, will issue bid-winning notice and the business procurement department will arrange for the signing of the relevant contract with the bid winner. Determination of the successful tenderer is made after due consideration of the evaluation principles and criteria so specified in the relevant tendering documents, as well as the relevant qualifications, experience and prices so offered by the tenderers. For the Company's contracts that are submitted for tender, the contract price shall be the offer price of the successful tenderer.

In the case where the tender process could not proceed out of any of the following circumstances, a fresh round of tender shall be launched after analysis of the reasons therefor and the adoption thereafter of corresponding rectification measures. Such circumstances include: (a) fewer than three valid offers from potential tenderers having purchased, submit application for, or passed such preliminary qualification review (where required and as specified); (b) fewer than three potential tenderers having purchased the tendering documents; (c) fewer than three tenderers having submitted the bidding documents by the relevant cut-off date; (d) the tendering review committee having rejected all bidding applications; and (e) other circumstances stipulated by national laws and regulations for which tender process shall be re-conducted. In case of a re-launch, where the number of qualified tenderers are still less than three, the Company could: (a) re-conduct the relevant tender after modifying the tendering announcements, the tendering documents, or the preliminary qualification review announcements and documents; (b) for international tender in relation to mechanical and electrical products, proceed to the commencement and review of tender with two tenderer(s) or even one; or (c) have the requirements for tender waived by the relevant authorities in accordance with the relevant requirements under the national laws and regulations and the Group's internal tendering rules.

(ii) Where tender is not required under applicable laws, regulations and rules, the Group will arrange for separate negotiations with CNNC and/or its associates and independent suppliers, upon which, prices shall be determined by taking into account, in each case, the aggregated total actual costs for services provided, whilst allowing for reasonable profits and factoring in taxes so payable. Where possible, the management will consider, and before payment is approved in each case, the quotations of at least two comparable transactions with independent suppliers for the same period so as to assess the reasonableness of the profits so gained by the Company's supplier for services so rendered under the Renewed Engineering Construction Services Framework Agreement.

The Group's construction projects require relatively complex radiation protection, and shall be completed by professional service providers with relevant qualifications and experience. There are a limited number of such service providers with relevant qualifications and experience in China, the majority of which are CNNC and/or its associates. The Group will invite qualified CNNC and/or its associates with relevant qualifications as well as qualified independent suppliers to attend the public tender process or negotiate with CNNC and/or its associates with relevant qualifications as well as qualified independent suppliers.

The Company has formulated a series of procurement policies to manage procurement process and reduce cost. The tender process will be managed by the Group in strict accordance with the rules and requirements of the Bidding Law of the PRC, and in the case other than through tender process, the Group will adopt different measures to encourage competition among potential suppliers including CNNC and/or its associates and independent suppliers. CNNC and/or its associates and independent suppliers will be treated fairly.

The Company will regularly contact its suppliers (including CNNC and/or its associates and independent suppliers) to understand the market conditions. The finance department, the audit department (legal compliance department) and the discipline inspection and supervision department of the Company are mainly responsible for supervising the procurement activities carried out by the Company's procurement department. The finance department of the Company reviews the procurement plan to formulate the procurement budget and a forecast of future expenses, tracks the actual spending against procurement budget, and prepares financial statements and reports with analysis thereof being conducted on a regular basis. The audit department (legal compliance department) of the Company supervises the implementation of procurement policies (including the Group's internal tendering rules), and is responsible for supervising the implementation and improving the Company's compliance procedures and internal control measures for prevention of conflicts of interest, including risk assessment, identification and prevention of potential conflict of interest involved in procurement activities, so as to ensure that the procurement activities (including, where applicable, the tender process) and the actions taken by the personnel so involved are in compliance with the relevant laws, regulations, industry norms and the Company's internal policies, as well as participates in negotiations with suppliers on contractual terms of the relevant contracts and conducting regular reviews thereof. The discipline inspection and supervision department of the Company is responsible for handling disciplinary violations identified in procurement management (including, where applicable, tendering activities) in accordance with relevant laws and regulations and the Company's internal policies. Where criminal activity is identified, the Company's discipline inspection and supervision department shall transfer the case to the relevant judicial authorities for investigation.

In assessing whether the above internal control measures are put in place and effectively implemented, we have obtained and reviewed the monthly report issued by the finance department on the actual transaction amounts of each of the Construction Services, the Equipment Services and the Consultation Services and noted that the annual caps had been closely monitored. In addition, as stated in the section headed "3. Principal terms of the Renewed Engineering Construction Services Framework Agreement" above, we have obtained and reviewed the tender documents as well as the comparable quotations for each of the Construction Services, the Equipment Services and the Consultation Services entered by the Group during 2021 to 2023. Based on our review, we noted that the internal control procedures had been adhered and were in accordance with the pricing mechanism under the Renewed Engineering Construction Services Agreement. As such, we are of the view that the above internal control measure adopted by the Group for monitoring the transactions contemplated under the Renewed Engineering Construction Services Agreement have been effectively implemented. Having considered the above, in particular (i) that the above internal control procedures which include price comparison by the Group with those offered by independent suppliers have been effectively implemented; (ii) the ongoing monitoring of the transactions contemplated under the Renewed Engineering Construction Services Agreement and the proposed annual caps; and (iii) the requirements under the Listing Rules for the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the transactions contemplated under the Renewed Engineering Construction Services Agreement and the proposed annual caps, we concur with the Directors that appropriate and adequate internal control procedures are in place to ensure that the transactions contemplated under the Renewed Engineering Construction Services Framework Agreement will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. *Reporting requirements and conditions of the continuing connected transactions*

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Renewed Engineering Construction Services Framework Agreement (the "**Engineering Construction Services Transactions**") are subject to the following annual review requirements:

(i) the independent non-executive Directors must review the Engineering Construction Services Transactions and confirm in the annual report and accounts that the Engineering Construction Services Transactions have been entered into:

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

(b) on normal commercial terms or better; and

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

(ii) the Company must engage its auditors to report on the Engineering Construction Services Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Engineering Construction Services Transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group if the Engineering Construction Services Transactions involve the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreements governing the Engineering Construction Services Transactions; and

(d) have exceeded the proposed annual caps;

(iii) the Company must allow, and ensure that the counter-parties to the Engineering Construction Services Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Engineering Construction Services Transactions as set out in paragraph (ii); and

(iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Engineering Construction Services Transactions, in particular, (i) the restriction of the value of the Engineering Construction Services Transactions by way of the proposed annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Engineering Construction Services Transactions and the proposed annual caps not being exceeded, we are of the view that appropriate measures are in place to monitor the conduct of the Engineering Construction Services Transactions and assist in safeguarding the interests of the Independent Shareholders.

B. The Equity Transfer Agreement

1. Background information on the Group

For details of the information of the Group, please refer to the sub-section headed "A. The Renewed Engineering Construction Services Framework Agreement – 1. Information of the Group and CNNC – (i) the Group" above.

2. Information on 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. As at the Latest Practicable Date, China Baoyuan, Hengyang City Construction Investment Co., Ltd., and Hunan University of South China Holding Co., Ltd. hold 45%, 40% and 15% of the equity interest of CNNC Health, respectively.

3. Information on BNIBT

BNIBT, a wholly-owned subsidiary of the Company, is principally engaged in the research, development, manufacturing and sale of in vitro diagnostic (IVD) reagents, and its business covers the manufacturing of raw materials in the upstream business and products, scientific research service and other industrial chain businesses in the IVD segment. As at the Latest Practicable Date, the Company holds 100% equity interest in BNIBT.

Set out below is the summary of the financial information of BNIBT for FY2021, FY2022 and the nine months ended 30 September 2023 ("**9M2023**"):

	FY2021	**FY2022**	**9M2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Revenue	319,795	473,680	77,169
Cost of sales	159,688	236,270	59,569
Gross profit	160,107	237,410	17,600
Selling expenses	(83,676)	(58,329)	(17,575)
Administrative expenses	(35,518)	(53,116)	(29,682)
Research expenses	(21,431)	(29,207)	(8,942)
Finance costs	(2,889)	(1,299)	(1,072)
Other income	1,041	2,235	247
Profit/(loss) before tax	15,172	87,509	(41,959)
Income tax expenses	(989)	(18,814)	(315)
Net profit/(loss)	14,182	68,695	(42,274)

Revenue of BNIBT is mainly derived from the sale of IVD reagents and kits and the provision of independent scientific research services and medical testing services. BNIBT's revenue increased by approximately 48.1% from approximately RMB319.8 million for FY2021 to approximately RMB473.7 million for FY2022, primarily attributable to the increase in demand for IVD kits and reagents for the rapid and accurate diagnosis as a result of the reemergence of the COVID-19 outbreak in the PRC in 2022. For 9M2023, its revenue amounted only to approximately RMB77.2 million. As advised by the management of the Group, the revenue represented a significant decrease of approximately 77.1% as compared to approximately RMB336.4 million for the corresponding period in the prior year, and such decrease was primarily attributable to that the requirements of performing COVID-19 testing significantly reduced in 2023 since the Chinese government started to ease various COVID-19 restrictions in the end of 2022.

Cost of sales mainly represented BNIBT's materials costs, staff costs and depreciation and amortization expenses, which remained stable as a proportion of revenue in FY2021 and FY2022. In line with the increase in revenue, gross profit of BNIBT increased by approximately 48.3% from approximately RMB160.1 million for FY2021 to approximately RMB237.4 million for FY2022. The gross profit margin of BNIBT remained relatively stable at approximately 50.1% and 50.1% for FY2021 and FY2022, respectively. For 9M2023, BNIBT recorded gross profit of approximately RMB17.6 million with gross profit margin of approximately 22.8%. Such decrease in gross profit margin was mainly due to the significant decrease in revenue from the reduction in COVID-19 testing requirement in 2023 while BNIBT continued to incur staff costs and fixed monthly depreciation expenses for the staff and equipment required for COVID-19 testing as it was unable to drive down labor costs in the short run (as the number of staff so designated for conducting nucleic acid testing could not be concurrently reduced).

Selling expenses primarily comprised of salaries, travelling expenses, marketing services expenses and depreciation expenses, which decreased by approximately 30.3% from approximately RMB83.7 million for FY2021 to approximately RMB58.3 million for FY2022 as a result of the cessation of business operation of a subsidiary of BNIBT which used to incur a lot of selling expenses in 2021. For 9M2023, BNIBT's selling expenses amounted to approximately RMB17.6 million.

Administrative expenses primarily comprised of salaries, depreciation and amortization expenses, which increased by approximately 49.5% from approximately RMB35.5 million for FY2021 to approximately RMB53.1 million for FY2022 as a result of the increase in revenue and business expansion during the year. For 9M2023, BNIBT's administrative expenses amounted to approximately RMB29.7 million.

Research expenses primarily comprised of salaries, material costs and depreciation and amortization expenses. Research expenses of BNIBT increased by approximately 36.3% from approximately RMB21.4 million for FY2021 to approximately RMB29.2 million for FY2022 as a result of the increase in revenue and investment in COVID-19 testing during the year. For 9M2023, BNIBT's research expenses amounted to approximately RMB8.9 million. As advised by the management of the Group, BNIBT significantly reduced its research expenses in 2023 due to the reduction in business related to the COVID-19 testing and BNIBT currently does not have other major reagent in its pipeline.

Finance costs mainly represented interest on borrowings which decreased by approximately 55.0% from approximately RMB2.9 million for FY2021 to approximately RMB1.3 million for FY2022, mainly due to the recognition of interests on a lease liability in respect of a land as a result of the new lease accounting standards in 2021 which did not exist in 2022. For 9M2023, BNIBT's finance costs amounted to approximately RMB1.1 million.

Other income mainly represented the subsidies and grants received from governments and the reimbursement of withholding tax handling fees, which amounted to approximately RMB1.0 million, RMB2.2 million and RMB0.2 million for FY2021, FY2022 and 9M2023, respectively. As the Chinese government started to ease various COVID-19 restrictions in the end of 2022, the subsidies and grants to be received by BNIBT are expected to decrease in 2023.

Net profit of BNIBT increased by approximately 384.4% from approximately RMB14.2 million for FY2021 to approximately RMB68.7 million for FY2022, primarily attributable to the increase in revenue, gross profit and other income as well as the decrease in selling expenses and finance costs as mentioned above. For 9M2023, BNIBT's net loss amounted to approximately RMB42.3 million.

As at 30 September 2023, total assets of BNIBT amounted to approximately RMB403.2 million, which mainly comprised of (i) fixed assets of approximately RMB68.5 million; (ii) trade receivables of approximately RMB213.7 million; and (iii) cash and cash equivalents of approximately RMB40.7 million.

As at 30 September 2023, total liabilities of BNIBT amounted to approximately RMB211.6 million, which mainly comprised of (i) short-term and long-term borrowings of approximately RMB15.0 million; (ii) trade payables of approximately RMB63.1 million; (iii) other payables of approximately RMB87.0 million; and (iv) lease liabilities of approximately RMB17.1 million.

Net current assets and equity attributable to the shareholders of BNIBT amounted to approximately RMB119.6 million and RMB190.8 million as at 30 September 2023, respectively.

4. Reasons for and benefits of the Disposal

On the one hand, as disclosed in the Letter from the Board, BNIBT, a wholly-owned subsidiary of the Company in the IVD business segment, has been immersed in the field of radio-immunity for nearly 40 years. Under internal and external environmental influences, BNIBT faces huge development opportunities and challenges. The Company intends to introduce strategic investors for BNIBT so as to optimize its shareholding and governance structure, revitalize its existing assets through the introduction of complementary advantageous resources, provide industry synergy and empowerment, inject vitality into the development of BNIBT through the use of capital means to seek better transformation and development of BNIBT in the future and enhance its corporate image.

On the other hand, as BNIBT is not the Group's main revenue stream and has limited synergy with the Group's principal business, being the research, development, manufacturing and sale of radiopharmaceuticals, the Disposal allows the Group to focus on its principal business and concentrate resources to enhance the Group's competitiveness in the fields of radiopharmaceuticals. In particular, as discussed in the sub-section headed "A. The Renewed Engineering Construction Services Framework Agreement – 1. Information of the Group and CNNC – (i) the Group" above, in order to meet the growing demand of domestic users for medical isotopes and their products in a timely manner, the Group will vigorously enhance production capacity, fully promote the construction of key projects such as medical isotopes, radiopharmaceuticals and radioactive source research and development and production bases, and promote the national layout of pharmaceutical centers in succession, all of which require substantial capital investment. As advised by the management of the Group, although BNIBT is expected to record continuous business growth in following years, the Group is expected to require substantial amount of funds for the construction of such production bases and pharmaceutical centers in 2024 to 2025. While the Group had maintained a healthy level of cash of approximately RMB2.2 billion as at 30 June 2023, the proceeds from the Disposal in the amount of approximately RMB260.1 million can further supplement the Company's capital requirement to fund the fixed assets, technological research and development and equity investment expenditures of the Company's strategic main business segments, such as radiopharmaceuticals, radio nuclides, radioactive sources and irradiation applications.

According to 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)), jointly issued by the China Atomic Energy Authority, the Ministry of Science and Technology, the National Medical Products Administration and five other government authorities in May 2021, it aims to advance the research and development of new radiopharmaceuticals, accelerate the realization of independent production and supply of medical isotopes, promote the clinical application of radiopharmaceuticals and increase the concern and awareness of medical isotopes and related industries from all walks of life. In addition, in January 2023, Sichuan province released the "Action Plan for the Development of Medical Isotopes and Radiopharmaceuticals Industry in Sichuan Province (2022-2025)" (四川省醫用同位素及放射性藥物產業發展行動計劃(2022-2025)), it proposes that efforts will be made to build an advanced and complete nuclear medical and health industry system in Sichuan province. With the promulgation of favorable government policies to support the development and supply of the medical isotopes in the PRC, the Chinese radiopharmaceuticals market is expected to grow in a fast pace.

Taking into account that (i) the Disposal will allow BNIBT to seek better transformation and development in the future and enhance its corporate image; (ii) the Disposal represents an opportunity for the Group to focus on its principal business and concentrate resources to enhance its competitiveness in the fields of radiopharmaceuticals and contribute to the long-term success of the Group; (iii) the proceeds from the Disposal will supplement the Company with the capital required to implement its strategic plans and strengthen its financial position considering the needs of the Group in term of its long-term development goals; and (iv) the positive market outlook of the radiopharmaceuticals market in the PRC, we consider that the Disposal is in the ordinary and usual course of business of the Group which is fair and reasonable and in the interest of the Company and Shareholders as a whole.

5. Principal terms of the Equity Transfer Agreement

Set out below is a summary of the principal terms of the Equity Transfer Agreement. Independent Shareholders are advised to read further details of the Equity Transfer Agreement as disclosed in the Letter from the Board:

Date	:	23 November 2023
Parties	:	(i) the Company, as the transferor; and
		(ii) CNNC Health, as the transferee
Subject matter	:	The Company agreed to sell and CNNC Health agreed to acquire 100% of the equity interest in BNIBT held by the Company.

Consideration	:	The Consideration was determined after arm's length negotiations between the parties with reference to the valuation result of the total equity attributable to the shareholders of BNIBT conducted by Zhuoxindahua, an independent third-party appraisal agency (the "**Valuer**"), using the income approach as at the Valuation Reference Date of 31 March 2023. According to the Valuation Report of BNIBT issued by the Valuer on 8 September 2023, the total equity attributable to the shareholders of BNIBT was RMB260,115,800 as at the Valuation Reference Date.
Payment arrangement	:	The remaining amount of the Consideration after deducting the transaction deposits, being RMB26.0116 million, payable by CNNC Health shall be transferred by CNNC Health to the settlement account designated by CBEX within 5 working days after the Equity Transfer Agreement becomes effective. The transaction deposits paid by CNNC Health as required by the Company and pursuant to the requirements set out in the Company's information disclosure announcement in relation to equity transfer on CBEX shall be deducted as part of the Consideration after payment of the aforesaid remaining amount. In the event that the Equity Transfer Agreement is not approved by the Shareholders at the EGM or the Disposal fails to proceed to completion due to force majeure or reasons not attributable to the Company and CNNC Health, the Equity Transfer Agreement may be terminated by consensus between the Company and CNNC Health. Taking into consideration the progress of the Disposal and the relevant terms in respect of the costs that shall be borne by the Company and CNNC Health in relation to the Disposal under the Equity Transfer Agreement, the deposit paid by CNNC Health shall be refunded to CNNC Health without interest, after deduction of the relevant costs (such deduction, if any, and the amount thereof shall be determined by mutual agreement after arm's length negotiations between the Company and CNNC Health, having taking into account the specific reasons for the failure of the Disposal to proceed to completion).

Closing :	The Company and CNNC Health shall fulfill or assist each other in fulfilling the respective obligations of reporting to the approval authorities, and use their best efforts to address any reasonable requests and enquiries from any approval authorities so as to obtain the approval in respect of the Equity Transfer Agreement and the equity transfer thereunder. The Company shall, within 20 working days after obtaining the equity transfer certificate issued by CBEX for the Disposal under the Equity Transfer Agreement, procure that BNIBT completes the registration procedures with respect to such change in title of equity in BNIBT while CNNC Health shall provide necessary assistance and cooperation. During the period from the date of the signing of the Equity Transfer Agreement to the closing of the equity transfer of BNIBT, the Company shall perform the obligation of exercising due care on BNIBT and its assets. The Company shall ensure and procure the normal operation of BNIBT during such period. Where there is any material adverse impact on BNIBT during such period, the Company shall promptly notify CNNC Health and take appropriate measures.
Effectiveness of the Equity Transfer Agreement :	The Equity Transfer Agreement shall take effect from the date when it is affixed with the seals of, and signed by the legal representatives or authorised representatives of the Company and CNNC Health, save for such circumstances where it is necessary to submit to the approval agency for approval in accordance with laws and administrative regulations and subject to the approval at the general meeting in accordance with the relevant provisions of the listing rules of the venue(s) where the securities of the parties are listed, if applicable.

6. Valuation of BNIBT

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiations between the parties with reference to the valuation result of the total equity attributable to the shareholders of BNIBT conducted by the Valuer using the income approach as at the Valuation Reference Date of 31 March 2023 (the "**Valuation**"). As the validity period of the Valuation Report of BNIBT shall be one year from the valuation benchmark date, i.e. effective until 30 March 2024, the valuation conclusion remains valid as at the Latest Practicable Date and hence we consider it is reasonable to rely on the valuation conclusion.

In assessing the fairness and reasonableness of the Valuation, we have taken into the following factors:

(i) The qualification and scope of work of the Valuer

We have conducted an interview with the Valuer to enquire to their qualification and experience in valuing similar pharmaceutical companies in the PRC and their independence. In our review of the engagement letter between the Company and the Valuer and other relevant information provided by the Valuer, we noted that the Valuer is an independent firm of qualified PRC valuer and is authorized by the Ministry of Finance of the PRC and China Securities Regulatory Commission to provide valuation services in the PRC, and the responsible person of the Valuer has years of experience in conducting valuation and possesses sufficient qualifications and experience in similar assets in the PRC. We have also enquired with the Valuer as to their independence from the Group, CNNC, CNNC Health and BNIBT, and were given to understand that the Valuer is independent of the Group, CNNC, CNNC Health and BNIBT. The Valuer confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Valuer, no arrangements exist whereby they will receive any fees or benefits from the Group, CNNC, CNNC Health and BNIBT. We have also reviewed the terms of engagement of the Valuer, in particular to their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report of BNIBT. We have also performed work as required under note (1)(d) to Rule 13.80 of the Listing Rule in relation to the Valuer and its work as regards the Valuation. Based on our discussion with the Valuer, we understand that the Valuation Report of BNIBT has been prepared in compliance with the relevant PRC regulatory requirements and professional standards. Based on the above, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate. We therefore consider it appropriate to rely on their work and opinion.

(ii) Valuation methodologies

We have reviewed and discussed with the Valuer the methodologies, bases and assumptions adopted for the Valuation and understood that the Valuer has carried out physical inspections and made relevant enquiries for the purpose of valuing BNIBT. As stated in the Valuation Report of BNIBT, the Valuer has considered three generally accepted approaches, namely, market approach, income approach and asset-based approach and adopted the discounted cash flow ("**DCF**") methodology of the income approach in the Valuation due to the following consideration:

(a) the selection of the valuation approach in valuing BNIBT is based on, among other criteria, the merits and limitations of each of the aforesaid valuation methodologies, the quantity and quality of the information provided, accessibility to available data, availability of relevant market information, the business nature, financial performance, financial position and future prospects of BNIBT, professional judgment and technical expertise;

(b) BNIBT has been in continuous operation over years since its establishment and entered into a stable development stage so that it has the ability to operate in a relatively sustainable manner in future. As such, income approach is adopted as it takes the future growth potential, firm-specific characteristics and specific business development of BNIBT into consideration;

(c) market approach is not ultimately considered because it could not capture the future earning potentials of BNIBT while the prospect of future income-generating is the central factor to consider when it comes to gauging the value of BNIBT from the perspective of the Company and CNNC Health; and

(d) asset-based approach is not considered because information for the calculation of fair values of the assets and liabilities of BNIBT was insufficient. In addition, it tends to understate the value of an income-generating business of BNIBT.

Based on the factors above, we concur with the Valuer that it is fair and reasonable to adopt the income approach in arriving at the market value of BNIBT.

(iii) Application of the DCF methodology

Under the income approach, the appraisal value of BNIBT represents the present worth of future economic benefits expected to be generated from BNIBT. The Valuer applied the DCF method to discount the free cash flow ("**FCF**") (i.e. a measure of how much cash can be paid to the equity shareholders of a company after all expenses, reinvestment and debt were paid) of BNIBT at a discount rate to calculate the fair market value of BNIBT. Reasonable projections of operating revenue, expenses, and reinvestment requirements (i.e. net working capital and capital expenditures) form the basis for estimating the future FCF that a company will likely generate from its business.

The DCF analysis was based on key qualitative factors applicable to the Valuation, outlook for the IVD market in which it operates, and discussions with and projections prepared by BNIBT. FCF for each year of the forecast period was calculated by adding back other items affecting cash flows to net profit. Non-cash expenses, such as depreciation and amortization expenses, were added, incremental investments in net working capital and capital expenditures were deducted, all of which are provided by BNIBT and reviewed by the Valuer.

In addition, we have reviewed the letter from SHINEWING relating to the profit forecast as set out in Appendix III in the Circular and discussed with the management of the Company regarding the bases and assumptions as well as the parameters applied in the profit forecast and understood that the financial projections used represent the best estimate of economic conditions and BNIBT's operations.

As set out in Appendix III to the Circular, SHINEWING, the auditor of the Company, has conducted its engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA and examined the arithmetical accuracy of the underlying profit forecast of the Valuation. SHINEWING is of the view that so far as the calculations are concerned, the underlying forecast of the Valuation has been properly compiled, in all material aspects, in accordance with the assumptions adopted by the directors of the Company and BNIBT.

(a) Overview of the Chinese economy and IVD market in the PRC

Set out below are the gross domestic product ("**GDP**") of the PRC during the period from 2018 to 2022:

	2018	2019	2020	2021	2022	CAGR
GDP (RMB' billion)	91,928	98,652	101,357	114,924	121,021	7.1%

Source: National Bureau of Statistics of China

As shown in the table above, the Chinese GDP has increased from approximately RMB91,928 billion in 2018 to approximately RMB121,021 billion in 2022 with a compound annual growth rate ("**CAGR**") of approximately 7.1%, indicating a solid economic foundation in the past 5 years. According to the World Economic Outlook: A Rocky Recovery released by the International Monetary Fund in April 2023, China's economy will continue to grow with a projected GDP growth rate of approximately 5.2% and 4.5% in 2023 and 2024, respectively. (source: https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic- outlook-april-2023)

Currently, China is the largest IVD market in the Asia-Pacific region and only second to the United States in terms of market value. According to Renub Research (source: https://www.renub.com/china-in-vitro-diagnostics-market-p.php), a market research and consulting company in the United States with more than 14 years of experience in delivering business-to-business researches, surveys, information analyses and management and business consulting services, the market value of the Chinese IVD market is expected to increase from approximately US$7.4 billion in 2021 to approximately US$18.9 billion in 2027, representing a CAGR of approximately 16.9% during the period. Moreover, based on an independent market research report issued by Frost & Sullivan, the size of the Chinese IVD equipment market has observed a rapid increase at a CAGR of approximately 21.9% from approximately RMB10.1 billion in 2016 to approximately RMB22.3 billion in 2020. The market size is expected to maintain a substantial increase and reach approximately RMB114.6 billion in 2030, representing a CAGR of approximately 17.3% from 2020 to 2030.

Due to the upsurge of the geriatric population in the PRC, the country is experiencing an explosion of chronic conditions such as diabetes, heart disease and cancer, all of which can be diagnosed and monitored using IVD products. In December 2021, the National Medical Products Administration and other eight government authorities jointly issued the 14th Five-Year Development Plan for the Medical Equipment Sector (「十四五」醫藥工業發展規劃) which proposes the overall goal in 2025 and the long-term objectives through 2035 on the development of the medical equipment sector in China and highlights the development of various types of medical equipment including IVD products. Overall, driven by the strong clinical demand from an ageing population, growing awareness in disease diagnosis, deepening innovative and the promulgation of favourable government policies, the Chinese IVD market is expected to grow in a fast pace in future.

(b) Projections

In preparing the valuation, the Valuer relied on the FCF generated from the expected operation of BNIBT. In assessing the reasonableness of the forecasted revenue, costs of sales, profit margins and major expenses during the forecast period, we have discussed with the Valuer and the management of the Company respectively on the basis and key assumptions underlying the projections and obtained and reviewed the underlying detailed working documents and calculation spreadsheet.

The forecasted revenue represents the sale of IVD reagents and kits and the provision of independent scientific research services. As advised by the management of the Company, BNIBT's revenue is expected to increase based on the existing business operation, current market conditions, market outlook and BNIBT's potential strategic development and solid business foundation built through the complete registration documents, drug symbols and device registration procedures and the establishment of the comprehensive GMP (Good Manufacturing Practice) and GSP (Good Storage Practice) systems. The forecasted total revenue of BNIBT is estimated to grow at a CAGR of approximately 18.2% from approximately RMB66.0 million for the year ending 31 December 2023 to approximately RMB152.5 million for the year ending 31 December 2028. In this regard, we have discussed with the management of the Company and the Valuer and understood that (1) BNIBT has competitive advantages in technology, experience, products range and prices on IVD products as well as established and solid relationship with customers which enable it to generate stable income stream and strengthen its market position in future; (2) BNIBT is expanding its sales channels and expected to increase revenue from exports business through its newly collaborated foreign distributors; and (3) driven by the demand-side factors such as ageing population, the increasing urbanization level of the PRC and the enhanced medical insurance ability and growing awareness of healthcare of the Chinese households as well as the supply-side factors such as the advance in technology, the development of new clinical projects and upgraded self-sufficiency in raw and auxiliary materials, it is expected that the Chinese IVD market will maintain to grow at a CAGR of more than 15% in the next five to ten years. We have also performed independent research on the overview of the Chinese economy and the industry outlook of IVD sector in the PRC, details of which please refer to the sub-section headed "(a) Overview of the Chinese economy and IVD market in the PRC" above. Based on our independent research, we noted that the Chinese GDP has grew at a CAGR of approximately 7.1% from 2018 to 2022 and is expected to grow at approximately 5.2% and 4.5% in 2023 and 2024, respectively. In addition, according to two renowned market research institutes as mentioned above, the market value of the Chinese IVD market is expected to grow at a CAGR of approximately 16.9% from 2021 to 2027 and approximately 17.3% from 2020 to 2030. Taking into account (1) the sustainable and solid growth of the Chinese economy; (2) the market consensus on the estimated growth potential of the Chinese IVD market, which is close to the CAGR of approximately 18.2% adopted in the forecasted revenue of BNIBT from 2023 to 2028; (3) the positive outlook of IVD sector in the PRC as driven by the strong clinical demand from an ageing population, growing awareness in disease diagnosis and the promulgation of favourable government policies; (4) the expanded sales channel of BNIBT through developing exports business; and (5) BNIBT's solid and strong business foundation and competitive advantages in technology, experience, product ranges, price and customer relationship, we consider that the forecasted revenue of BNIBT in the Valuation is fair and reasonable.

Cost of sales mainly represented BNIBT's direct materials costs, staff costs and depreciation and amortization expenses. The forecasted total cost of sales of BNIBT is estimated to grow at a CAGR of approximately 8.9% from approximately RMB48.9 million for the year ending 31 December 2023 to approximately RMB74.9 million for the year ending 31 December 2028. The direct materials costs are estimated as a proportion of forecasted revenue and the proportion is determined as the average of the historical direct materials costs in terms of historical revenue from 2020 to 2023. On the other hand, other cost of sales such as staff costs and depreciation and amortization expenses are estimated based on BNIBT's number of employees, historical salary level, the balance of BNIBT's property, plant and equipment as at 31 March 2023, the relevant accounting policies of BNIBT and the capital expenditure and maintenance schedule of BNIBT.

Overall, the proportion of cost of sales in terms of total revenue is estimated to decrease from approximately 74.0% in 2023 to approximately 49.1% in 2028. In other words, the gross profit margin of BNIBT is expected to increase from approximately 26.0% in 2023 to approximately 50.9% in 2028 which is close to BNIBT's historical gross profit margin level in 2020 and 2021 of approximately 41.9% and 42.8%, respectively. As advised by the management of the Company, in 2023, BNIBT recorded a decrease in revenue from the COVID-19 testing mainly due to the requirements of performing COVID-19 testing significantly reduced in 2023 since the Chinese government started to ease various COVID-19 restrictions in the end of 2022. However, the staff employed and equipment purchased by BNIBT in relation to the COVID-19 testing cannot be reduced substantially and quickly in 2023 so that the relevant staff costs and depreciation expenses did not decrease in line with the decrease in revenue, resulting in a lower gross profit margin in 2023. It is expected that such negative impact will decrease over time as BNIBT plans to streamline its organizational structure through dismissal of several staff and utilize the relevant equipment in other businesses. As such, the gross profit margin is expected to increase gradually and restore to the historical level. In addition, based on our review on the interim reports of the Comparable Companies (as defined below), we noted that the gross profit margin of the Comparable

Companies for 6M2023 ranged from approximately 45.4% to approximately 65.1%, with an average and median of approximately 54.6% and 53.4%, respectively. Taking into account the above factors, in particular, (1) the direct material costs are estimated based on its average historical proportion in terms of historical revenue from 2020 to 2023; and (2) the gross profit margin of BNIBT is expected to gradually increase to approximately 50.9% in 2028 which is close to BNIBT's historical gross profit margin level in 2020 and 2021 and also close to the range of the gross profit margin of the Comparable Companies for 6M2023, we consider the forecasted costs of sales and gross profit margins of BNIBT in the Valuation is fair and reasonable.

Operating expenses refer to selling expenses, administrative expenses and research expenses. The forecasted operating expenses is estimated to grow at a CAGR of approximately 3.0% from approximately RMB46.1 million for the year ending 31 December 2023 to approximately RMB53.5 million for the year ending 31 December 2028. The proportion of operating expenses in terms of total revenue (the "**Operating Expense Proportion**") is estimated to decrease from approximately 69.9% in 2023 to approximately 35.1% in 2028. As advised by the management of the Group, BNIBT intends to reduce operating expenses and improve operational efficiency through, among others, enhancing regulation and supervision on its marketing services providers, controlling marketing commission fee, streamlining its organizational structure and dismissing employees. In order to assess the fairness and reasonableness of the projected Operating Expense Proportion of BNIBT, we have performed independent research on the Comparable Companies (as defined below) based on their interim reports and we noted that the Operating Expense Proportion of the Comparable Companies for 6M2023 ranged from approximately 35.1% to approximately 49.0%, with an average and median of approximately 41.3% and 39.9%, respectively. Having considered that the projected Operating Expense Proportion of BNIBT is within the range of the Operating Expense Proportion of the Comparable Companies for 6M2023, we are of the view that the forecasted operating expenses of BNIBT in the Valuation is fair and reasonable.

(c) Discount rate

Given the income approach measures the value of an asset as the present value of its future economic benefits, the application of income approach necessitates the development of an appropriate discount rate. The Valuer has considered the followings in determining the discount rate:

(1) the risk-free rate of approximately 3.24% is based on the average yield to maturity rate of the Chinese government bond with a remaining maturity over 10 years as at 31 March 2023 as extracted from the WIND financial terminal;

(2) the market risk premium of China of approximately 6.81% is determined with reference (i) the weighted average of the geometric mean rate of return of Shanghai Stock Exchange Composite Index and Shenzhen Stock Exchange Composite Index from 1 January 1991 to 31 March 2023, being approximately 10.05%, which represented the market rate of return of China; and (ii) the risk-free rate of approximately 3.24% as discussed above;

(3) the levered beta coefficient of BNIBT of approximately 0.82 is determined with reference to the average of the unlevered beta coefficient and debt-to-equity ratio of three comparable companies (the "**Comparable Companies**") which are (i) also engaged in the business of production and sale of IVD products in the PRC; (ii) publicly listed in stock exchanges in the PRC for more than three years; and (iii) have similar corporate structure, business model, company size and profitability as BNIBT, with adjustment for differences in corporate tax rates and leverage compositions;

(4) other risk premium of approximately 3.00% which is based on the professional judgement of the Valuer to reflect unsystematic risk such as size risk, operational risk, financial risk and liquidity risk of BNIBT;

(5) the cost of equity of approximately 11.85% based on (1), (2), (3) and (4) above;

(6) the cost of debt after tax of approximately 3.66% is determined with reference to (i) the China above 5-year loan prime rate of 4.30% per annum announced by the People's Bank of China as at 20 March 2023; and (ii) the corporate tax rate of 15% for qualified new/high technology enterprises;

(7) the weight of equity (equity/(debt + equity)) of approximately 93.45% is determined with reference to the average of those of the Comparable Companies; and

(8) the nominal weighted average cost of capital ("**WACC**") of approximately 11.31% based on the (5), (6) and (7) above as well as the WACC pricing model R(WACC) = cost of equity x weight of equity + cost of debt x (1- tax rate) x weight of debt.

As such, 11.31% was adopted as the discount rate. We have discussed with the Valuer, obtained and reviewed the underlying supporting information, calculation and basis adopted by the Valuer in deriving rate, and noted that the basis adopted by the Valuer is generally in line with the data obtained from public information as stated in points (1) to (7) above. Based on the above, we concur with the Valuer that it is appropriate to adopt the income approach for BNIBT and the discount rate adopted throughout the forecast period are reasonable for the purpose of the Valuation.

(d) Forecast period and terminal value

During the forecasted period, based on BNIBT's historical operating conditions and industry development trends, a two-stage model was adopted, i.e. a reasonable forecast of BNIBT's revenue, costs, expenses and profits is made for a forecasted period of approximately 6 years from 1 April 2023 to 31 December 2028 and the perpetual operation period which is the same as the last year of the explicit forecast period (i.e. the year ending 31 December 2028) with no terminal growth value. As it is an industry norm to forecast FCF to steady state or perpetuity after the detailed projection period, usually 5 years, we consider the forecast period in the Valuation to be fair and reasonable.

(e) Long-term equity investments

As disclosed in the Valuation Report of BNIBT, the Valuation adopted the income approach to calculate and determine the appraised value of total shareholders' equity based on the specific conditions of the long-term equity investment entity, and determine the appraised value of the long-term equity investment according to the investment proportion. Set out below is the summary of the long-term equity investments held by BNIBT as at 31 March 2023:

Long-term equity investments	**Net asset value as at 31 March 2023 (A)** *RMB million*	**Appraised value as at 31 March 2023 (B)** *RMB million*	**Appreciation percentage (B/A-1)**	**Shareholding ratio (C)**	**Appraised value of long-term equity investments (BxC)** *RMB million*
Wuhan China Nuclear Zhongtong Lanbo Medical Laboratory Co., Ltd. (武漢中核中同藍博醫學檢驗實驗室有限公司) ("**Wuhan Lanbo**")	63.1	64.8	2.7%	100%	64.8
China Nuclear Zhongtong Lanbo (Chengdu) Medical Laboratory Co., Ltd. (中核中同藍博(成都)醫學檢驗有限公司) ("**Chengdu Lanbo**")	74.0	74.9	1.3%	100%	74.9
China Nuclear Zhongtong Lanbo (Hefei) Medical Laboratory Co., Ltd. (合肥中核中同藍博醫學檢驗實驗室有限公司) ("**Hefei Lanbo**")	21.3	24.2	14.1%	100%	24.2
Shanghai Eugene Biotech Co., Ltd. (上海優晶生物科技有限公司) ("**Shanghai Eugene**")	2.4	12.2	401.3%	70%	8.6
Total					**172.5**

Appraised value of Wuhan Lanbo

In assessing the reasonableness of the forecasted revenue, costs of sales, profit margins and major expenses of Wuhan Lanbo during the forecast period, we have discussed with the Valuer and the management of the Company respectively on the basis and key assumptions underlying the projections and obtained and reviewed the underlying detailed working documents and calculation spreadsheet.

The forecasted revenue represents the provision of general testing services and the sale of relevant reagents and equipment. The forecasted total revenue of Wuhan Lanbo is estimated to grow at a CAGR of approximately 2.2% from approximately RMB30.5 million for the year ending 31 December 2023 to approximately RMB34.1 million for the year ending 31 December 2028. In this regard, we have discussed with the management of the Company and the Valuer and understood that based on the current business plan, Wuhan Lanbo is planned to conduct business in the forecast period through maintaining long-term and stable cooperation with customers, mainly hospitals and medical examination centers, rather than aggressive business expansion. As such, the growth rate of future total revenue is conservatively predicated. According to the National Bureau of Statistics of the PRC, the five-year average consumer price index of the PRC from 2018 to 2022 amounted to approximately 2.1%. In addition, the annual inflation rate in 2023 is anticipated to be approximately 3.0% with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by approximately 3.0% in 2023. Taking into account that the growth rate of future total revenue of Wuhan Lanbo is projected to be in line with the inflation rate, we consider that the forecasted revenue of Wuhan Lanbo is fair and reasonable.

Cost of sales mainly represented Wuhan Lanbo's direct materials costs, staff costs and depreciation and amortization expenses. The total cost of sales of Wuhan Lanbo is estimated to decrease from approximately RMB21.9 million for the year ending 31 December 2023 to approximately RMB19.7 million for the year ending 31 December 2028. The direct materials costs are estimated as a proportion of forecasted revenue and the proportion is determined as the historical direct materials costs in terms of historical revenue in 2022. On the other hand, other cost of sales such as staff costs and depreciation and amortization expenses are estimated based on Wuhan Lanbo's number of employees, historical salary level, the balance of Wuhan Lanbo's property, plant and equipment as at 31 March 2023, the relevant accounting policies of Wuhan Lanbo and the capital expenditure and maintenance schedule of Wuhan Lanbo.

Overall, the proportion of cost of sales in terms of total revenue is estimated to decrease from approximately 71.8% in 2023 to approximately 58.0% in 2028. In other words, the gross profit margin of Wuhan Lanbo is expected to increase from approximately 28.2% in 2023 to approximately 42.0% in 2028, which is within the range of Wuhan Lanbo's historical gross profit margin from approximately 38.9% to approximately 53.5% during 2020 to 2022. As advised by the management of the Company, in 2023, Wuhan Lanbo recorded a decrease in revenue from the COVID-19 testing mainly due to the requirements of performing COVID-19 testing significantly reduced in 2023 since the Chinese government started to ease various COVID-19 restrictions in the end of 2022. However, the staff employed and equipment purchased by Wuhan Lanbo in relation to the COVID-19 testing cannot be reduced substantially and quickly in 2023 so that the relevant staff costs and depreciation expenses did not decrease in line with the decrease in revenue, resulting in a lower gross profit margin in 2023. It is expected that such negative impact will decrease over time as Wuhan Lanbo plans to streamline its organizational structure through dismissal of several staff and utilize the relevant equipment in other businesses. As discussed above, based on our review of the interim reports of the Comparable Companies for 6M2023, we noted that the gross profit margin of the Comparable Companies for 6M2023 ranged from approximately 45.4% to approximately 65.1%, with an average and median of approximately 54.6% and 53.4%, respectively. As such, the gross profit margin of Wuhan Lanbo is expected to increase gradually and restore to the historical level and close to the market range, which we considered to be fair and reasonable.

Operating expenses refer to selling expenses, administrative expenses and research expenses. The operating expenses are estimated to maintain at a relatively stable level of approximately RMB10.5 million to approximately RMB12.0 million during the forecasted period. The Operating Expense Proportion of Wuhan Lanbo is estimated to decrease from approximately 39.2% in 2023 to approximately 33.1% in 2028, which is within the range of Wuhan Lanbo's historical Operating Expense Proportion from approximately 20.7% to approximately 33.1% during 2020 to 2022. Having considered that the projected Operating Expense Proportion of Wuhan Lanbo is within its historical range during 2020 to 2022, we are of the view that the forecasted operating expenses of Wuhan Lanbo is fair and reasonable.

Appraised value of Chengdu Lanbo

In assessing the reasonableness of the forecasted revenue, costs of sales, profit margins and major expenses of Chengdu Lanbo during the forecast period, we have discussed with the Valuer and the management of the Company respectively on the basis and key assumptions underlying the projections and obtained and reviewed the underlying detailed working documents and calculation spreadsheet.

The forecasted revenue represents the provision of general testing services and the sale of relevant equipment. The forecasted total revenue of Chengdu Lanbo is estimated to grow at a CAGR of approximately 14.6% from approximately RMB22.7 million for the year ending 31 December 2023 to approximately RMB44.8 million for the year ending 31 December 2028. In this regard, we have discussed with the management of the Company and the Valuer and understood that based on the current business plan, Chengdu Lanbo is planned to utilize BNIBT's industry experience and accumulated resources so as to achieve business expansion in the forecast period. As such, the growth rate of future total revenue is predicated in line with the market growth. According to Frost & Sullivan (source: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0619/2023061900005.pdf), China's independent clinical laboratory ("**ICL**") market without COVID-19 testing has grew by an approximately 10.9% CAGR from approximately RMB14.7 billion in 2017 to approximately RMB22.3 billion in 2021, and is expected to grow up to approximately RMB51.3 billion by 2026 at a CAGR of approximately 18.2% from 2021 to 2026. Taking into account that the growth rate of future total revenue of Chengdu Lanbo is projected to be in line with the market growth rate, we consider that the forecasted revenue of Chengdu Lanbo is fair and reasonable.

Cost of sales mainly represented Chengdu Lanbo's direct materials costs, staff costs and depreciation and amortization expenses. The total cost of sales of Chengdu Lanbo is estimated to increase at a CAGR of approximately 10.0% from approximately RMB17.2 million for the year ending 31 December 2023 to approximately RMB27.7 million for the year ending 31 December 2028. The direct materials costs are estimated as a proportion of forecasted revenue and the proportion is determined as the historical direct materials costs in terms of historical revenue for the five months ended 31 May 2023. On the other hand, other cost of sales such as staff costs and depreciation and amortization expenses are estimated based on Chengdu Lanbo's number of employees, historical salary level, the balance of Chengdu Lanbo's property, plant and equipment as at 31 March 2023, the relevant accounting policies of Chengdu Lanbo and the capital expenditure and maintenance schedule of Chengdu Lanbo.

Overall, the proportion of cost of sales in terms of total revenue is estimated to decrease from approximately 76.0% in 2023 to approximately 61.9% in 2028. In other words, the gross profit margin of Chengdu Lanbo is expected to increase from approximately 24.0% in 2023 to approximately 38.1% in 2028, which is lower than Chengdu Lanbo's historical gross profit margin from approximately 61.6% to approximately 73.1% during 2020 to 2022. As advised by the management of the Company, in 2023, Chengdu Lanbo recorded a decrease in revenue from the COVID-19 testing mainly due to the requirements of performing COVID-19 testing significantly reduced in 2023 since the Chinese government started to ease various COVID-19 restrictions in the end of 2022. However, the staff employed and equipment purchased by Chengdu Lanbo in relation to the COVID-19 testing cannot be reduced substantially and quickly in 2023 so that the relevant staff costs and depreciation expenses did not decrease in line with the decrease in revenue, resulting in a lower gross profit margin in 2023. It is expected that such negative impact will decrease over time as Chengdu Lanbo plans to streamline its organizational structure through dismissal of several staff and utilize the relevant equipment in other businesses. As discussed above, based on our review of the interim reports of the Comparable Companies for 6M2023, we noted that the gross profit margin of the Comparable Companies for 6M2023 ranged from approximately 45.4% to approximately 65.1%, with an average and median of approximately 54.6% and 53.4%, respectively. As such, the gross profit margin of Chengdu Lanbo is expected to increase over time and restore to a level close to the market range, which we considered to be fair and reasonable.

Operating expenses refer to selling expenses, administrative expenses and research expenses. The operating expenses are estimated to increase at a CAGR of approximately 3.4% from approximately RMB9.0 million for the year ending 31 December 2023 to approximately RMB10.7 million for the year ending 31 December 2028. The Operating Expense Proportion of Chengdu Lanbo is estimated to decrease from approximately 39.8% in 2023 to approximately 23.9% in 2028, which is within the range of Chengdu Lanbo's historical Operating Expense Proportion from approximately 15.7% to approximately 47.4% during 2020 to 2022. Having considered that the projected Operating Expense Proportion of Chengdu Lanbo is within its historical range during 2020 to 2022, we are of the view that the forecasted operating expenses of Chengdu Lanbo is fair and reasonable.

Appraised value of Hefei Lanbo

In assessing the reasonableness of the forecasted revenue, costs of sales, profit margins and major expenses of Hefei Lanbo during the forecast period, we have discussed with the Valuer and the management of the Company respectively on the basis and key assumptions underlying the projections and obtained and reviewed the underlying detailed working documents and calculation spreadsheet.

The forecasted revenue represents the provision of general testing services. The forecasted total revenue of Hefei Lanbo is estimated to grow at a CAGR of approximately 35.8% from approximately RMB5.6 million for the year ending 31 December 2023 to approximately RMB25.7 million for the year ending 31 December 2028. In this regard, we have discussed with the management of the Company and the Valuer and understood that based on the current business plan, Hefei Lanbo is planned to strengthen its business cooperation with the existing customers and extensively explore and develop new customers so as to build Hefei Lanbo as a first-class and well-established independent medical testing laboratory with high standards. As mentioned above, the Chinese ICL market without COVID-19 testing has grew by an approximately 10.9% CAGR from 2017 to 2021 and is expected to further grow at a CAGR of approximately 18.2% from 2021 to 2026. Although the estimated revenue growth rate of Hefei Lanbo during the forecast period is higher than the market growth rate of ICL market in the PRC, taking into account that (1) the Chinese ICL market is still in its infancy compared to other developed countries. In 2021, China only saw ICL penetration rate, measured by the ICL testing market size as a percentage of the total clinical testing market size, of approximately 6%, significantly less than approximately 60% for Japan, approximately 44% for Germany and approximately 35% for the United States. As such, there is still an ample room of further development of China's ICL market; (2) the Chinese government had carried out a series of healthcare reforms and introduced favorable policies aiming to reshape the clinical laboratory industry and to further support the growth and investment in the private sector. For instance, in March 2021, the State Council issued the Regulations for the Supervision and Administration of Medical Devices (醫療器械監督管理條例), which provides that for IVD reagents that do not have the same product on the market in China, qualified medical institutions can develop them on their own according to the clinical needs of their own units, and use them in their own units under the guidance of medical practitioners; and (3) as Hefei Lanbo is on its early development stage with relatively small base of revenue, it is reasonable to imply a relatively higher growth rate than the industry, we consider that the forecasted revenue of Hefei Lanbo is fair and reasonable.

Cost of sales mainly represented Hefei Lanbo's direct materials costs, staff costs and depreciation and amortization expenses. The total cost of sales of Hefei Lanbo is estimated to increase at a CAGR of approximately 11.1% from approximately RMB9.0 million for the year ending 31 December 2023 to approximately RMB15.3 million for the year ending 31 December 2028. The direct materials costs are estimated as a proportion of forecasted revenue and the proportion is determined as the average of the historical direct materials costs in terms of historical revenue during 2021 and 2022. On the other hand, other cost of sales such as staff costs and depreciation and amortization expenses are estimated based on Hefei Lanbo's number of employees, historical salary level, the balance of Hefei Lanbo's property, plant and equipment as at 31 March 2023, the relevant accounting policies of Hefei Lanbo and the capital expenditure and maintenance schedule of Hefei Lanbo.

Overall, the proportion of cost of sales in terms of total revenue is estimated to decrease from approximately 161.6% in 2023 to approximately 59.4% in 2028. In other words, the gross profit margin of Hefei Lanbo is expected to turnaround from gross loss margin of approximately 61.6% in 2023 to gross profit margin of approximately 40.6% in 2028, which is within the range of Hefei Lanbo's historical gross profit margin from approximately 37.3% to approximately 46.7% during 2021 to 2022. As advised by the management of the Company, in 2023, Hefei Lanbo recorded a decrease in revenue from the COVID-19 testing mainly due to the requirements of performing COVID-19 testing significantly reduced in 2023 since the Chinese government started to ease various COVID-19 restrictions in the end of 2022. However, the staff employed and equipment purchased by Hefei Lanbo in relation to the COVID-19 testing cannot be reduced substantially and quickly in 2023 so that the relevant staff costs and depreciation expenses did not decrease in line with the decrease in revenue, resulting in a gross loss margin in 2023. It is expected that such negative impact will decrease over time as Hefei Lanbo plans to streamline its organizational structure through dismissal of several staff and utilize the relevant equipment in other businesses. As discussed above, based on our review of the interim reports of the Comparable Companies for 6M2023, we noted that the gross profit margin of the Comparable Companies for 6M2023 ranged from approximately 45.4% to approximately 65.1%, with an average and median of approximately 54.6% and 53.4%, respectively. As such, the gross profit margin of Hefei Lanbo is expected to increase gradually and restore to the historical level and close to the market range, which we considered to be fair and reasonable.

Operating expenses refer to selling expenses, administrative expenses and research expenses. The operating expenses are estimated to maintain at a relatively stable level of approximately RMB5.5 million to approximately RMB6.0 million during the forecasted period. The Operating Expense Proportion of Hefei Lanbo is estimated to decrease from approximately 101.2% in 2023 to approximately 22.6% in 2028, which is close to the range of Hefei Lanbo's historical Operating Expense Proportion from approximately 22.7% to approximately 34.8% during 2021 to 2022. Having considered that the projected Operating Expense Proportion of Hefei Lanbo is close to its historical range during 2021 to 2022, we are of the view that the forecasted operating expenses of Hefei Lanbo is fair and reasonable.

Appraised value of Shanghai Eugene

In assessing the reasonableness of the forecasted revenue, costs of sales, profit margins and major expenses of Shanghai Eugene during the forecast period, we have discussed with the Valuer and the management of the Company respectively on the basis and key assumptions underlying the projections and obtained and reviewed the underlying detailed working documents and calculation spreadsheet.

The forecasted revenue represents the sale of colloidal gold in vitro detection reagents. The forecasted total revenue of Shanghai Eugene is estimated to grow at a CAGR of approximately 2.9% from approximately RMB11.0 million for the year ending 31 December 2023 to approximately RMB12.8 million for the year ending 31 December 2028. In this regard, we have discussed with the management of the Company and the Valuer and understood that based on the current business plan, Shanghai Eugene is planned to conduct business in the forecast period through maintaining long-term and stable cooperation with customers, rather than aggressive business expansion. As such, the growth rate of future total revenue is conservatively predicated. According to the National Bureau of Statistics of the PRC, the five-year average consumer price index of the PRC from 2018 to 2022 amounted to approximately 2.1%. In addition, the annual inflation rate in 2023 is anticipated to be 3.0% with reference to the 2023 State Council Government Work Report which expected that the consumer prices in the PRC will increase by 3.0% in 2023. Taking into account that the growth rate of future total revenue of Shanghai Eugene is projected to be in line with the inflation rate, we consider that the forecasted revenue of Shanghai Eugene is fair and reasonable.

Cost of sales mainly represents Shanghai Eugene's direct materials costs, staff costs and depreciation and amortization expenses. The total cost of sales of Shanghai Eugene is estimated to increase at a CAGR of approximately 2.2% from approximately RMB6.6 million for the year ending 31 December 2023 to approximately RMB7.4 million for the year ending 31 December 2028. The direct materials costs are estimated as a proportion of forecasted revenue and the proportion is determined as the average of the historical direct materials costs in terms of historical revenue from 2020 to 2023. On the other hand, other cost of sales such as staff costs and depreciation and amortization expenses are estimated based on Shanghai Eugene's number of employees, historical salary level, the balance of Shanghai Eugene's property, plant and equipment as at 31 March 2023, the relevant accounting policies of Shanghai Eugene and the capital expenditure and maintenance schedule of Shanghai Eugene.

Overall, the proportion of cost of sales in terms of total revenue is estimated to maintain at a relatively stable level of approximately 58% to approximately 60% during the forecasted period. In other words, the gross profit margin of Shanghai Eugene is expected to maintain at a level of approximately 40% to 42% which is within the range of Shanghai Eugene's historical gross profit margin from approximately 34.0% to approximately 44.3% during 2020 to 2022. As discussed above, based on our review of the interim reports of the Comparable Companies for 6M2023, we noted that the gross profit margin of the Comparable Companies for 6M2023 ranged from approximately 45.4% to approximately 65.1%, with an average and median of approximately 54.6% and 53.4%, respectively. As such, the gross profit margin of Shanghai Eugene is expected to maintain at a level close to the historical gross profit margin of Shanghai Eugene as well as the market range, which we considered to be fair and reasonable.

Operating expenses refer to selling expenses, administrative expenses and research expenses. The operating expenses are estimated to increase at a CAGR of approximately 4.8% from approximately RMB3.2 million for the year ending 31 December 2023 to approximately RMB4.1 million for the year ending 31 December 2028. The Operating Expense Proportion of Shanghai Eugene is estimated to increase from approximately 29.1% in 2023 to approximately 31.9% in 2028, which is within the range of Shanghai Eugene's historical Operating Expense Proportion from approximately 23.4% to approximately 34.3% during 2020 to 2022. Having considered that the projected Operating Expense Proportion of Shanghai Eugene is within its historical range during 2020 to 2022, we are of the view that the forecasted operating expenses of Shanghai Eugene is fair and reasonable.

Overall comments

Based on the above factors and having considered that the appreciation percentages of Wuhan Lanbo, Chengdu Lanbo and Hefei Lanbo (which is calculated as their respective appraised value as at 31 March 2023 using income approach divided by their respective net asset value as at 31 March 2023 and then minus one) of approximately 2.7%, 1.3% and 14.1%, respectively, which are considered immaterial, we are of the view that the appraised values of Wuhan Lanbo, Chengdu Lanbo and Hefei Lanbo are fair and reasonable. Although the appreciation percentage of Shanghai Eugene is significant, being approximately 401.3%, having considered that the revenue growth rate, gross profit margin and the Operating Expense Proportion of Shanghai Eugene during the forecast period are all forecasted in line with the respective historical levels during 2020 and 2022, we are of the view that the appraised value of Shanghai Eugene is also fair and reasonable.

(f) Equity value

The Valuer calculated (1) the FCF during the forecast period with the assumptions stated above; and (2) the present value of the FCF during the forecast period with the discount rate of 11.31%. The equity value is then derived by adding the present values of FCF during the forecast period and adjusting cash, debt, net non-operating assets/(liabilities) and long-term equity investments of BNIBT as at 31 March 2023.

(iv) Conclusion

Regarding the above assumptions used in the DCF methodology, we have, among others, (a) reviewed the historical financial information of BNIBT, Wuhan Lanbo, Chengdu Lanbo, Hefei Lanbo and Shanghai Eugene for the three years ended 31 December 2022 and the three months ended 31 March 2023; (b) performed independent research on the overview of the Chinese economy and the industry outlook of IVD sector in the PRC, including but not limited to the Chinese GDP data published by the National Bureau of Statistics of China and estimation made by the International Monetary Fund in April 2023, the market research analysis on the Chinese IVD market performed by Renub Research and Frost & Sullivan, the "Healthy China 2030" Plan (「健康中國2030」規劃綱要), the 14th Five-Year Development Plan for the Medical Equipment Sector (「十四五」醫藥工業發展規劃) and the 2020 Annual Report on the Chinese IVD Market (中國體外診斷行業年度報告「2020版」) issued by China Association of In-Vitro Diagnostics, National Association Health Industry Enterprise Management (全國衛生產業企業管理協會醫學檢驗產業分會), which is a branch of the National Association of Health Industry and Enterprise Management with a focus on the research, development, production, sales, service and circulation institutions and individuals in related fields of clinical laboratory industry, to understand the market trend and prospect of Chinese economy and the IVD industry; (c) compared the forecasted cost of sales for the forecast period with the historical cost of sales for the three years ended 31 December 2022, and understood the reasons for the variations in the gross profit margin; (d) cross-checked the source and supporting documents in calculating discount rate and no variance is noted; (e) obtained and reviewed the certificate of the new/high technology enterprises of BNIBT and understood that BNIBT is eligible to enjoy a reduced cooperate income tax of 15%; (f) discussed with the Valuer on the selection criteria of the Comparable Companies and concur with the Valuer that the list of the Comparable Companies fit the selection criteria and are fair and representative samples; and (g) discussed with the management of the Company on the business plan and future development of BNIBT, Wuhan Lanbo, Chengdu Lanbo, Hefei Lanbo and Shanghai Eugene to further understand the basis of the forecasted revenue of BNIBT, Wuhan Lanbo, Chengdu Lanbo, Hefei Lanbo and Shanghai Eugene.

After taking into account factors above, in particular, our independent work performed on the Valuation as set out above, we are of the view that (a) the methodology applied and principal bases and assumptions adopted by the Valuer in the Valuation are fair and reasonable; (b) the scope of work of the Valuer for the relevant engagement is considered as appropriate; and (c) the calculation of FCF applied by the Valuer is appropriate and the DCF methodology has been reasonably applied in the Valuation.

In addition, having considered (a) the independence, qualification and experience of the Valuer; and (b) that the selection and application of the valuation methodology are reasonably prepared, we are of the view that the Valuation was carried out on a fair and reasonable basis by the Valuer.

In assessing the fairness of the Consideration, we have discussed with the Directors and understood that as illustrated in the table below, the Consideration of RMB260,115,800 is determined by reference to the Valuation of 100% equity interest of BNIBT of RMB260,115,800. As such, the Consideration represents an equivalent amount to the Valuation under the Disposal.

The Consideration

The Valuation of 100% equity interest of BNIBT	RMB260,115,800 (A)
The Consideration	RMB260,115,800 (B)
Discount to the Valuation	0.0% (B/A-1)

As such, having considered that (a) the Valuation Report of BNIBT has been reasonably prepared; (b) the Consideration is determined by reference to the Valuation and is equivalent to the Valuation under the Disposal; and (c) the reasons for and benefits of the Disposal, we are of the view that the Consideration is fair and reasonable.

7. *Financial effect of the Disposal*

BNIBT is principally engaged in the research, development, manufacturing and sale of IVD reagents, and its business covers the manufacturing of raw materials in the upstream business and products, scientific research service and other industrial chain businesses in the IVD segment. Upon completion of the Disposal, the Company will cease to hold any equity interest in BNIBT and BNIBT will cease to 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.

As disclosed in the Letter from the Board, it is estimated that, upon completion of the Disposal, the Company will record a pre-tax gain of approximately RMB48,521,900 from the Disposal, being the difference between (i) the Consideration of RMB260,115,800; and (ii) the audited carrying amount of the Group's 100% equity interest in BNIBT as at 31 March 2023 of RMB211,593,900 (on consolidated basis). The actual gain on the Disposal is subject to the audit by the Company's auditor.

In addition, the Group is expected to receive the aggregate amount of RMB260,115,800 as a result of the Disposal. The Group intends to use the proceeds from the Disposal on the fixed assets, technological research and development and equity investment expenditures of the Company's strategic main business segments, such as radiopharmaceuticals, radio nuclides, radioactive sources and irradiation applications, while supplementing the liquidity required for its operations.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Transactions are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Transactions is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Transactions.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

The following is the English version of the summary of the valuation report dated 8 September 2023 issued by Beijing Zhuoxindahua Appraisal Co., Ltd., an independent valuer, for the purpose of inclusion in this circular. The summary of the valuation report is prepared in Chinese and the English translation is for reference only. In case of discrepancies between the English and Chinese versions of the summary of the valuation report, the Chinese version shall prevail.

Value of the Total Equity Attributable to Shareholders of Beijing North Institute of Biotechnology Co., Ltd. Involved in the Proposed Transfer of the Equity Interest Held by China Isotope & Radiation Corporation in Beijing North Institute of Biotechnology Co., Ltd.

Summary of the Asset Valuation Report
Zhuo Xin Da Hua Ping Bao Zi (2023) No. 2206

I. VALUATION PURPOSE

According to the "Minutes of Meeting of China Isotope & Radiation Corporation" (Zhong Tong Fu Ji Yao [2023] No. 66), China Isotope & Radiation Corporation proposes to transfer the equity interest held by it in Beijing North Institute of Biotechnology Co., Ltd. (北京北方生物技術研究所有限公司). The purpose of the valuation is to give a fair view of the market value of the total equity attributable to shareholders of Beijing North Institute of Biotechnology Co., Ltd. on the Valuation Reference Date of 31 March 2023 involved in the economic activity of the proposed transfer of the equity interest by China Isotope & Radiation Corporation so as to provide valuation reference for such economic activity.

II. VALUATION TARGET AND VALUATION SCOPE

The valuation target is the value of the total equity attributable to shareholders of Beijing North Institute of Biotechnology Co., Ltd. designated by the client.

The valuation scope is all audited assets and relevant liabilities of Beijing North Institute of Biotechnology Co., Ltd. on the Valuation Reference Date. The assets and liabilities on the Valuation Reference Date are set out in the following tables:

Unit: *RMB*

Items	Book value	Items	Book value
Total current assets	**143,555,547.68**	Total current liabilities	**134,360,832.65**
Monetary funds	3,942,401.61	Short-term borrowings	9,012,540.00
Bills receivables	1,447,027.00	Contract liabilities	2,278,850.40
Trade receivables	92,728,666.88	Trade payables	48,539,315.94

Items	Book value	Items	Book value
Prepayments	1,396,776.26	Employees' remuneration payable	2,343,042.87
Other receivables	21,328,528.28	Tax payable	344,125.21
Inventories	22,712,147.65	Non-current liabilities due within one year	3,079,230.85
		Other payables	68,695,361.87
		Other current liabilities	68,365.51
Total non-current assets	**137,579,610.39**	Total non-current liabilities	**26,067,212.47**
Long-term deferred expenses	7,566,730.70	Long-term payables	2,160,000.00
Long-term equity investments	70,000,000.00	Lease liabilities	12,691,212.47
Fixed assets	39,633,958.14	Special payables	11,216,000.00
Right-of-use assets	13,349,831.19	Deferred income tax liabilities	
Intangible assets	1,126,140.48		
Deferred income tax assets	5,721,449.88	**Total liabilities**	**160,428,045.12**
Other non-current assets	181,500.00	**Total owners' equity**	**120,707,112.95**
Total assets	**281,135,158.07**	**Total liabilities and owner's equity**	**281,135,158.07**

Note: the above table is on the basis of the statements of the parent company

Unit: *RMB*

Items	Book value	Items	Book value
Total current assets	**306,989,947.69**	**Total current liabilities**	**184,489,122.14**
Monetary funds	51,954,529.38	Short-term borrowings	9,012,540.00
Bills receivables	1,447,027.00	Trade payables	71,336,947.97
Trade receivables	217,476,653.30	Contract liabilities	5,423,607.76
Prepayments	2,549,468.64	Employees' remuneration payable	4,141,825.47
Other receivables	9,296,025.13	Tax payable	537,281.52

Items	Book value	Items	Book value
Inventories	24,098,700.92	Other payables	87,707,785.48
Other current assets	167,543.32	Non-current liabilities due within one year	6,141,107.07
		Other current liabilities	188,026.87
Total non-current assets	**117,035,659.47**	**Total non-current liabilities**	**27,942,554.40**
Fixed assets	72,667,794.87	Lease liabilities	14,380,647.26
Right-of-use assets	17,274,512.42	Long-term payables	2,160,000.00
Intangible assets	1,342,972.85	Long-term employees' remuneration payable	11,216,000.00
Long-term deferred expenses	18,370,653.56	Deferred income tax liabilities	185,907.14
Deferred income tax assets	7,050,455.77	**Total liabilities**	**212,431,676.54**
Other non-current assets	329,270.00	**Total owners' equity**	**211,593,930.62**
Total assets	**424,025,607.16**	**Total liabilities and owner's equity**	**424,025,607.16**

Note: the above table is on a consolidated basis

The valuation target and valuation scope are consistent with those involved in the economic activity of the proposed transfer of equity interest by the client.

The financial statements of Beijing North Institute of Biotechnology Co., Ltd. on the Valuation Reference Date have been audited by ShineWing Certified Public Accountants (Special General Partnership) with the unqualified audit report of "XYZH/2023BJAA10B0573" issued.

Type and quantity of the off-balance sheet assets reported by the enterprise: 15 off-balance sheet patents and patent applications (including 13 invention patents and 2 utility models) and 3 trademarks have been reported by the appraised enterprise under the valuation.

Except the aforesaid off-balance sheet intangible assets reported, the appraised enterprise under the valuation has not reported other off-balance sheet assets and liabilities and the valuers have not identified signs of other possible off-balance sheet assets and liabilities.

Type, quantity and book value of assets involved in making reference to the conclusions of reports issued by other institutions: This valuation does not involve references to the reports issued by other institutions.

III. TYPE OF VALUE AND DEFINITION

Based on factors such as the valuation purpose, market conditions and the characteristics of the valuation target, the type of value of the valuation target is determined to be market value.

Market value refers to the estimated value of the valuation target in a normal and fair transaction on the Valuation Reference Date when a willing buyer and a willing seller act out of their own rationality and without any coercion.

IV. VALUATION REFERENCE DATE

The Valuation Reference Date of this project is 31 March 2023, which is determined by the client based on factors such as the economic activity, the end of the accounting period and changes of the interest rate.

V. VALUATION METHOD

(I) Introduction of valuation approaches

The income approach for the valuation of enterprise value is a valuation method to determine the value of the valuation target by capitalizing or discounting the expected income.

The market approach for the valuation of enterprise value is a valuation method to determine the value of the valuation target by comparing the valuation target with comparable listed companies or comparable transaction cases.

The asset-based approach for the valuation of enterprise value is a valuation approach to determine the value of the valuation target based on its balance sheet as at the Valuation Reference Date by assessing the value of its on-balance sheet and identifiable off-balance sheet assets and liabilities.

(II) Analysis on the applicability of valuation approaches

When performing any valuation of enterprise value, the valuers shall analyze the applicability of the three basic asset valuation methods, namely the income approach, the market approach and the asset-based approach, based on factors including valuation purpose, valuation target, the type of value and the collected information for selecting valuation methods.

According to the characteristics of the economic activity involved in the purpose of this valuation and the operation information of the enterprise collected at the valuation site, and considering that Beijing North Institute of Biotechnology has been in continuous operation for several years since its establishment and up to the Valuation Reference Date, the enterprise has embraced a stage of stable development and established sustainable operation capabilities in the future with both future revenue and risk exposure being able to be measured by currency, which meets the preconditions for adopting the income approach.

As Beijing North Institute of Biotechnology operates in the pharmaceutical industry, there are many domestic A-share listed companies in the same industry or sector and its meets the conditions for selecting comparable companies for comparison. Therefore, the listed company comparison method is appropriate for this valuation.

The valuation results under the asset-based approach are mainly determined based on the updated replacement cost of various assets and liabilities of the enterprise as at the Valuation Reference Date. As it is difficult to accurately quantify the impacts of factors such as the industrial competitiveness, research and development ability, level of management and human resources of Beijing North Institute of Biotechnology on the valuation value in the valuation results under the asset-based approach, the income approach and the market approach can better reflect the market value of the appraised enterprise since they are applicable.

(III) Technical idea and model of the income approach

The discounted cash flow method used in this project refers to a valuation technical idea which determines the appraised value by estimating the net cash flow expected by the valuation target in the future and converting it into the present value using the appropriate discount rate.

For the purpose of this valuation, the discounted free cash flow model of the enterprise under the discounted cash flow method has been adopted. The basic calculation model under the discounted cash flow method is as follows:

Value of the total equity attributable to shareholders = Overall enterprise value – Value of interest-bearing debts

$E = B - D - M$

Overall enterprise value: $B=P+I+C$

Where:

B: Overall enterprise value of the valuation target;

P: Value of operating assets of the valuation target;

I: Value of long-term equity investments of the valuation target;

C: Value of surplus or non-operating assets (liabilities) of the valuation target;

The calculation model of the value of operating assets is as follows:

$$P=\sum_{i=1}^{n}\frac{R_i}{(1+r)^i}+\frac{R_{i+1}}{r(1+r)^n}$$

Where:

R_i: Cash flow of the valuation target for the ith year in the future;

r: Discount rate;

n: Future operating period of the valuation target;

(IV) Appraisal process of the income approach

1. Determination of the income period

For the income period and based on the provisions of the articles of association, the business license and other documents of the appraised enterprise, the operating period is determined as a long term. It assumes that the enterprise will continue to renew and operate as a going concern upon maturity in this valuation, the income period is determined as an infinite period.

For the forecast period and based on the historical operating conditions of the company, the industry development trend and other information, a two-stage model was adopted, i.e. in the years after the Valuation Reference Date, reasonable forecast is conducted for the income, cost, expenses and profit of the enterprise based on the actual situation of the enterprise, policies, the market and other factors, and it assumes that the forecast data of the going concern period is the same as those of the last year of the definite forecast period.

2. Future revenue forecast

According to the principle of expected revenue being consistent with the discount rate, this valuation adopted the free cash flow of the enterprise to determine the revenue indicator relating to the enterprise value of the valuation target.

Free cash flow of the enterprise = Net profit + Depreciation and amortization + Interest expenses × (1 – tax rate) – Capital expenditure – Net increase in working capital

Net profit for the forecast period = Operating income – Operating cost – Tax and surcharges – Operating expense – Administrative expense – Financial expense – Income tax

When determining the net profit for the forecast period, the valuers made a proper adjustment to the basis for preparing the financial statements, non-recurring income and expenditure, non-operating assets, non-operating liabilities and surplus assets and related income and expenditure of the appraised enterprise, and conducted a necessary analysis as to the economic situation of the appraised enterprise and the average economic situation of the industry it belongs to.

3. Determination of the discount rate

The weighted average cost of capital (WACC) pricing model was adopted in the valuation.

$R(WACC)=R_e \times W_e + R_d \times (1\text{-}T) \times W_d$

Where:

R_e: Cost of equity capital;

R_d: Cost of debt capital;

W_e: Structural proportion of equity capital;

W_d: Structural proportion of interest-bearing debt capital;

T: Applicable income tax rate.

For the information about the aforesaid capital structure (W_d/W_e), the valuers have adopted the average capital structure of comparable companies as the target capital structure on the basis of analyzing the differences between the appraised enterprise and comparable companies in terms of financing ability and financing cost, and taking into account the financing of the appraised enterprise in the following years. In determining the capital structure, they have taken into account the matching with the expected return rate of creditor's rights and the consistency of the application in the calculation model;

R_d is arrived after adjustment based on the loan prime rate (LPR) published by the National Interbank Funding Center after taking into account the operating results, capital structure, credit risk, mortgage, pledge, guarantee of the appraised enterprise and other factors in the valuation.

Of which, the cost of equity capital (R_e) is calculated by capital asset pricing model (CAPM).

The calculation formula is as follows:

$R_e=R_f+\beta\times MRP+R_c$

R_f: Risk-free return rate. The average yield to maturity of treasury bonds with the remaining life of over 10 years from the Valuation Reference Date was selected as the risk-free return rate after inquiring the Wind Financial Terminal;

MRP(R_m-R_f): Average market risk premium, which was determined as the geometric mean of the average return rate after deducting the risk-free return rate based on the comprehensive stock indexes on Shanghai Stock Exchange and Shenzhen Stock Exchange;

R_m: Expected market rate of return, which was determined as the geometric mean of the return rate based on the comprehensive stock indexes on Shanghai Stock Exchange and Shenzhen Stock Exchange;

β: Expected market risk coefficient, which selected the β information of appropriate comparable listed companies in appropriate years after comprehensively considering the comparability of comparable listed companies and the appraised enterprise in business type, scale, profitability, growth, industrial competitiveness and development stage after inquiring the Wind Financial Terminal;

R_c: Risk adjustment coefficient specific to enterprises, which was determined based on comprehensive analysis after comprehensively appraising the risk characteristics, scale, business model, operation stage, core competitiveness, the reliance on major customers and suppliers and other factors of the appraised enterprise;

4. Determination of the appraised value of non-operating assets (liabilities) and surplus assets

Non-operating assets (liabilities) represent assets (liabilities) that have no direct relationship with the normal operating revenue of the enterprise and generate no operating returns. Surplus assets represent surplus cash in excess of the amount required for maintaining the normal operation of the enterprise on the Valuation Reference Date. They were mainly determined under the cost approach in this valuation.

5. Determination of the appraised value of long-term equity investments

The appraised value of the total equity attributable to shareholders was determined using the income approach based on the specific circumstances of the long-term equity investments units, and the appraised value of long-term equity investments was determined based on the proportion of investments.

6. Determination of the appraised value of interest-bearing liabilities

Interest-bearing liabilities refer to the liabilities on which the appraised enterprise is required to pay interest on the Valuation Reference Date. The appraised value of interest-bearing liabilities was determined using the cost approach in this valuation.

7. Determination of the appraised value of equity

Value of the total equity attributable to shareholders = Value of operating assets + Value of non-operating assets + Value of surplus assets + Value of long-term equity investments – Value of non-operating liabilities – Value of interest-bearing liabilities

(V) Technical idea and model of the market approach

The listed company comparison method adopted in this project is a technical idea for valuation to determine the appraised value by analyzing the operating and financial information of comparable listed companies, selecting comparable value ratios calculations and analyzing, comparing and revising them with the appraised enterprise. In selecting, calculating and applying value ratios using the listed company comparison method, it should consider the following: (1) the selected comparable listed companies and value ratios are beneficial to the reasonable determination of the value of the appraised enterprise; (2) the range of information and method used for calculating the value ratios are consistent; and (3) reasonable adjustments are made on the differences between the comparable enterprises and the appraised enterprise while using the value ratios. The preconditions for the application of the listed company comparison method are: (1) the existence of a fully developed and active capital market; (2) the existence of sufficient same or similar comparable enterprises as the valuation target in the said capital market; (3) the ability to collect and obtain market information, financial information and other relevant information of the comparable enterprises; and (4) being ensured that the information and materials relied upon are representative, reasonable and valid as at the Valuation Reference Date.

For the valuation of the enterprise value using the listed company comparison method, certain comparable companies are generally selected based on the circumstances of the valuation target and some standardized parameters of the comparable companies, such as earnings per share, net assets per share and net operating cash flow per share, are collected. After comparing the differences in the factors affecting the parameters between the comparable companies and the valuation target, adjustments are made to determine the indicators of the valuation target so as to calculate the value of the equity interests of the valuation target on such basis.

Calculation model of the listed company comparison method:

Value of the equity interests of the valuation target = (Value ratios × Corresponding parameters of the appraised enterprise) × (1 – Discount for lack of liquidity) + Net value of non-operating and surplus assets

(VI) Appraisal process of the listed company comparison method

1. Selection of comparable listed companies

The similarity in the industry and business with the valuation target is essential in selecting comparable companies. It is necessary to analyze and compare the business and financial conditions of the enterprises through various factors, such as their principal business scopes and revenue compositions, to select appropriate comparable companies.

2. Collection of necessary financial information

The businesses and financial positions of the selected comparable listed companies are compared with those of the appraised enterprise, analyzed, and adjusted as necessary. Firstly, information on comparable listed companies, such as their announcements, industry statistics, research reports of research institutions, is collected. The above market, business and financial information obtained from public channels is analyzed and adjusted, so as to make the financial information of the comparable enterprises as accurate and objective as possible, and comparable with the financial information of the appraised enterprise. Meanwhile, the valuers use various sources of information to collect, directly or indirectly, financial and non-financial information related to the valuation and make adjustments to the financial information for non-operating assets and liabilities.

3. Determination of value ratios

Value ratio is the ratio of the overall value or the equity value of the enterprise to one of its own parameters closely related to the overall value or the equity value that characterizes the enterprise's operation; i.e., a parameter for comparative analysis between the appraised enterprise and comparable listed companies. Value ratios include profit, asset, revenue and other ratios. After analyzing and adjusting the business and financial information of comparable listed companies, it is necessary to select appropriate value ratios and make necessary analysis and adjustments to the value ratios based on the above work.

Value ratio indicators include: the price-to-book ratio (P/B), the price-to-earnings ratio (P/E) and the price-to-sales ratio (P/S) are commonly used by investors in measuring the value of a company and are also effective reference indicators for appraising the value of a company.

The price-to-book ratio (P/B) is generally applicable to asset-heavy enterprises. The price-to-earnings ratio (P/E) is generally applicable to asset-light enterprises with steady growth in revenue and the profit and cash flows of such enterprises can better reflect the enterprise value. The price-to-sales ratio (P/S) is more applicable when the size of revenue determines the value of the company and the size of revenue is under steady growth.

The valuation was conducted through the comparison and analysis of the financial indicators of and balance sheets of comparable listed companies as at the Valuation Reference Date with the appraised enterprise. Considering that the profitability of the appraised enterprise is subject to certain fluctuations and it cannot reflect its real profitability, it is inappropriate to adopt value ratios on revenue.

4. The P/B was adopted as the value ratio for the appraised enterprise and corrections were made on five dimensions, namely, profitability, capital structure, solvency, operating capacity and growth capacity.

Correction coefficients = Adjustment coefficients of Ai, Π factors

5. Determination of discount of liquidity

Comparable listed companies selected in this valuation are listed companies while the appraised enterprise is a non-listed company. Therefore, the liquidity factor of the valuation target is required to be considered.

6. Determination of the enterprise value of the valuation target

The average value ratios of similar companies in the market are calculated based on relevant parameters of comparable listed companies. After calculating and adjusting the value ratios of comparable listed companies, the corrected enterprise value of the valuation target is calculated by multiplying the value ratios with the corresponding financial information or indicators of the valuation target.

7. Determination of the value of interest-bearing liabilities

Interest-bearing liabilities refer to the liabilities on which the appraised enterprise is required to pay interest on the Valuation Reference Date. The appraised value of interest-bearing liabilities was determined using the cost approach in this valuation.

8. Determination of the value of minority shareholders' interests

The value of minority shareholders' interests in the enterprise involved in the scope of this valuation was determined based on the value of the total equity attributable to shareholders, the value of minority shareholders' interests and the shareholding proportion of minority shareholders in the consolidated statements.

9. Determination of the appraised value of non-operating assets and liabilities and surplus assets

Non-operating assets and liabilities represent assets and liabilities that have no direct relationship with the normal operating revenue of the enterprise and generate no operating returns. Their appraised value was determined using the cost approach, the market approach or the income approach based on the actual conditions of non-operating assets and liabilities in the valuation.

10. Determination of the appraised value of long-term equity investments

The market approach on the consolidated basis was adopted and the value of all equity investments has been included in the value of subsidiaries under the scope of consolidation.

(VII) Determination of valuation conclusions

Based on the above valuation ideas, the income approach and the market approach were adopted for this valuation. The valuation results under the two valuation approaches were ultimately analyzed and judged, and the valuation results of the valuation approach that was relatively more reasonable and more conducive to the realization of the purpose of the valuation were selected as the conclusions of this valuation.

VI. VALUATION ASSUMPTIONS

The valuation conclusions on the valuation target of this project are reached based on the premises and restrictions of the following assumptions are true. If these premises and restrictions are not reasonably satisfied, the valuation conclusions reached in this report will be generally subject to change to varying degrees.

(I) General assumptions

(1) Transaction assumption: it is assumed that all assets to be valued are in the course of transaction and the valuation conducted by the asset valuers is based on simulated market such as terms of transaction of the target assets.

(2) Open market assumption: it is assumed that both transaction parties have equal status regarding the assets that are to be transacted or are intended to be transacted in the market. Each of them has opportunity and time to obtain sufficient market information so as to make rational judgments regarding the functions, uses and the transaction prices of the assets.

(3) Enterprise going concern assumption: it is assumed that the valuation target will continue to operate as a going concern after the Valuation Reference Date.

(4) Assumption of continued use of assets: it is assumed that the appraised assets will continue to be used legally and effectively in accordance with the planned use and subject to the conditions of use, such as those on the manner, scale, frequency and environment, and will not undergo significant changes during the foreseeable period of use.

(II) Special assumptions

(1) It is assumed that there being no significant changes in the relevant laws, regulations and policies in force in the PRC, the macroeconomic situation of the PRC and no significant changes in the political, economic and social environment of the regions where the parties of this transaction are located.

(2) It is assumed that there will be no significant changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies related to the valuation target after the Valuation Reference Date.

(3) It is assumed that the industry in which the valuation target operates maintains a trend of stable development and there are no significant changes in the industrial policies, management systems and relevant regulations.

(4) It is assumed that there are no force majeure and unforeseeable factors that would have material adverse impacts on the valuation target after the Valuation Reference Date.

(5) It is assumed that the accounting policies to be adopted by the valuation target after the Valuation Reference Date and the accounting policies adopted in preparation of the asset valuation report are consistent in material respects.

(6) It is assumed that the company maintains its current manner and level of management and that the scope and manner of its operation remains consistent with those at the current time.

(7) It is assumed that the operator of the company is a responsible one and the management of the Company is capable of assuming its given role.

(8) It is assumed that the processes of purchasing, acquiring and constructing the assets involved in the valuation target are all in compliance with the provisions of relevant national laws and regulations.

(9) It is assumed that the cash inflow of the valuation target is an average inflow and the cash outflow is an average outflow.

(10) It is assumed that the contracts, agreements and bid awards provided by the valuation target that are being performed or not yet performed are valid and can be completed within the planned time.

(11) It is assumed that the valuation target can continue to be entitled to the corresponding preferential taxation policies within such prescribed period.

(12) It is assumed that the lease of assets to the valuation target can be normally renewed upon the expiry of the lease period and such leased assets can be used on a continuous basis thereupon.

(13) It is assumed that licenses, use permits, consent letters or other legal and administrative authorisation documents required to be issued by national or local government authorities or organisations for the valuation target are all within the validity period and in normal and compliant use as at the Valuation Reference Date, and such licenses can be renewed or replaced upon expiry of their validity.

VII. VALUATION CONCLUSIONS

Having implemented the different appraisal approaches and procedures above, the valuation of the market value of the total equity attributable to shareholders of Beijing North Institute of Biotechnology as at 31 March 2023 to be applied by the client for the purpose of the proposed equity transfer has been concluded as follows:

(I) Valuation results under the income approach

Through valuation procedures under the income approach and on the premise that the valuation assumptions and limitations are established, the carrying amount and the appraised value of the total equity attributable to shareholders of Beijing North Institute of Biotechnology as at the Valuation Reference Date were RMB120.7071 million and RMB260.1158 million, respectively, representing an increase of RMB139.4087 million or 115.49% in appraisal value.

(II) Valuation results under the market approach

Through the valuation procedures under the market approach and on the premise that the valuation assumptions and limitations are established, the carrying amount and the appraised value of the total equity attributable to shareholders of Beijing North Institute of Biotechnology as at the Valuation Reference Date were RMB120.7071 million and RMB240.1909 million, respectively, representing an increase of RMB119.4838 million or 98.99% in appraisal value.

(III) Analysis and selection of valuation approaches and results

The market value of the total equity attributable to shareholders of Beijing North Institute of Biotechnology as at the Valuation Reference Date was RMB260.1158 million under the income approach and RMB240.1909 million under the income approach the market approach, representing a difference of RMB19.9249 million or 7.66% in valuation results under the two valuation approaches.

The different results under two different valuation approaches are brought by different perspectives considered under the two approaches. The income approach takes into account the future profitability of the enterprise and reflects the comprehensive profitability of various assets of the enterprise. The market approach is based on comparison between the appraised enterprise and its comparable companies that are the same or similar to it and determines the appraisal value of the equity of the appraised enterprise by analyzing their respective operation conditions and characteristics.

The valuation results of both the income approach and the market approach covered the value of intangible assets such as customer resources, goodwill, human resources, technical business capabilities and patents. Such two valuation results are complementary to each other, with the result of the market approach being the market performance of the result of the income approach, and the result of the income approach being the basis of the result of the market approach. However, under the market approach, there are certain differences between the ratio multipliers of the appraised enterprise and comparable listed companies due to the differences in certain aspects such as profit model, profitability, asset allocation and capital structure. It is difficult to accurately quantify and adjust the differences between the appraised enterprise and comparable listed companies, and the comparison with share prices of listed companies is susceptible to the interference of non-market factors.

In conclusion, taking into account the advantages and limitations of the two valuation approaches, namely the market approach and the income approach, analyzing the extent of impact of the two valuation approaches on the valuation results of this project, and considering the particular economic activity in this case, it is more favourable for the user of the report to consider the valuation results under the income approach in order to make a reasoned judgement on the valuation conclusions. Therefore, the valuation results under the income approach have been adopted as the ultimate valuation conclusions for this valuation.

The appraised value of the total equity attributable to shareholders of Beijing North Institute of Biotechnology Co., Ltd. was RMB260.1158 million.

The validity period of the valuation conclusions is one year commencing from the Valuation Reference Date, and this asset valuation report shall not be used after the expiration of the validity period.

The valuation conclusions were drawn based on the purposes, assumptions and limitations, bases, approaches and procedures set out in this asset valuation report, and such valuation conclusions are only valid under the condition that the above purposes, bases, assumptions and premises are established, which serve the purpose of this valuation only.

*The following is the English version of the further information (the "**Relevant Information**") provided by Beijing Zhuoxindahua Appraisal Co., Ltd., an independent valuer, pursuant to Guidance Letter HKEX-GL116-23 issued by The Stock Exchange of Hong Kong Limited in October 2023, for the purpose of inclusion in this circular. The Relevant Information is prepared in Chinese and the English translation is for reference only. In case of discrepancies between the English and Chinese versions of the Relevant Information, the Chinese version shall prevail. For the aforementioned purpose, the Relevant Information should be read together with the Appendix I to this circular.*

I. QUANTITATIVE ASSUMPTIONS OF THE KEY, SPECIAL ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS

The valuation does not involve quantitative assumptions, and the assessment assumptions include general assumptions and special assumptions, as follows:

(I) General assumptions

(1) Transaction assumption: it is assumed that all assets to be valued are in the course of transaction and the valuation conducted by the asset valuers is based on simulated market such as terms of transaction of the target assets.

(2) Open market assumption: it is assumed that both transaction parties have equal status regarding the assets that are to be transacted or are intended to be transacted in the market. Each of them has opportunity and time to obtain sufficient market information so as to make rational judgments regarding the functions, uses and the transaction prices of the assets.

(3) Enterprise going concern assumption: it is assumed that the valuation target will continue to operate as a going concern after the Valuation Reference Date.

(4) Assumption of continued use of assets: it is assumed that the appraised assets will continue to be used legally and effectively in accordance with the planned use and subject to the conditions of use, such as those on the manner, scale, frequency and environment, and will not undergo significant changes during the foreseeable period of use.

(II) Special assumptions

(1) It is assumed that there being no significant changes in the relevant laws, regulations and policies in force in the PRC, the macroeconomic situation of the PRC and no significant changes in the political, economic and social environment of the regions where the parties of this transaction are located.

(2) It is assumed that there will be no significant changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies related to the valuation target after the Valuation Reference Date.

(3) It is assumed that the industry in which the valuation target operates maintains a trend of stable development and there are no significant changes in the industrial policies, management systems and relevant regulations.

(4) It is assumed that there are no force majeure and unforeseeable factors that would have material adverse impacts on the valuation target after the Valuation Reference Date.

(5) It is assumed that the accounting policies to be adopted by the valuation target after the Valuation Reference Date and the accounting policies adopted in preparation of the asset valuation report are consistent in material respects.

(6) It is assumed that the company maintains its current manner and level of management and that the scope and manner of its operation remains consistent with those at the current time.

(7) It is assumed that the operator of the company is a responsible one and the management of the Company is capable of assuming its given role.

(8) It is assumed that the processes of purchasing, acquiring and constructing the assets involved in the valuation target are all in compliance with the provisions of relevant national laws and regulations.

(9) It is assumed that the cash inflow of the valuation target is an average inflow and the cash outflow is an average outflow.

(10) It is assumed that the contracts, agreements and bid awards provided by the valuation target that are being performed or not yet performed are valid and can be completed within the planned time.

(11) It is assumed that the valuation target can continue to be entitled to the corresponding preferential taxation policies within such prescribed period.

(12) It is assumed that the lease of assets to the valuation target can be normally renewed upon the expiry of the lease period and such leased assets can be used on a continuous basis thereupon.

(13) It is assumed that licenses, use permits, consent letters or other legal and administrative authorisation documents required to be issued by national or local government authorities or organisations for the valuation target are all within the validity period and in normal and compliant use as at the Valuation Reference Date, and such licenses can be renewed or replaced upon expiry of their validity.

II. THE KEY INPUTS TO THE VALUATION AND ITS DETERMINATION METHODOLOGY

The valuation does not involve a perpetual growth rate and the discount rate is determined as follows:

1. Discount rate model

The weighted average cost of capital (WACC) pricing model was used for the valuation, the specific formula is as follows:

$R(WACC) = R_e \times W_e + R_d \times (1-T) \times W_d$

Of which:

R_e: Cost of equity capital; R_d: Cost of interest-bearing liabilities; W_e: Equity capital structure ratio; W_d: Capital structure ratio of interest-bearing debts; and T: Applicable income tax rate; of which, the cost of equity capital R_e was calculated using the Capital Asset Pricing Model (CAPM). The calculation is as follows:

$R_e = R_f + \beta \times MRP + R_c$

R_f: Risk-free rate of return

$MRP(R_m - R_f)$: Average market risk premium

R_m: market expected rate of return

β: Expected market risk coefficient

R_c: Enterprise-specific risk adjustment coefficient

2. Selection process of each parameter

(1) Determination of risk-free rate of return

Risk-free rate of return refers to the lowest rate of return that investors should obtain under the current market conditions. Treasury bonds are usually a relatively safe investment, so its yield can be regarded as the safest and the lowest yield in the investment plan, i.e., the safety yield. In the valuation, the average yield to maturity of treasury bonds with a remaining maturity of more than 10 years as at the valuation reference date of 3.24% was selected as the risk-free rate of return through enquiry with the WIND financial terminal.

(2) Determination of average market risk premium

The Market Risk Premium is the investors' expected return in excess of the risk-free rate of return for investing in the stock market, which is the difference between the expected rate of return and the risk-free rate.

The Market Risk Premium was calculated and determined to be 6.81%.

(3) Determination of risk coefficient of β

β is considered to be an indicator to evaluate the relative risk of a company. Upon enquiry with the WIND financial terminal, on the basis of comprehensive consideration of the comparability of the comparable listed companies and the appraised company in terms of business type, enterprise scale, profitability, growth, industry competitiveness, enterprise development stage and other aspects, the β coefficient with financial leverage of the appropriate comparable listed companies at the valuation reference date for the appropriate maturity period and the ratio of interest-bearing debt to equity capital were selected to be converted into the β coefficient without financial leverage, and take its arithmetic mean, i.e. 0.78.

Comparable listed companies

No.	Stock code	Stock short name	Beta	2022 year-end tax rate	31 March 2023 interest-bearing debts/equity value	Unlevered beta coefficient
1	002022.SZ	Kehua Bio-engineering	0.7855	15.0000	12.9580	0.7075
2	300463.SZ	Maccura Biotechnology	0.8688	15.0000	6.2122	0.8252
3	300639.SZ	Hybribio	0.8112	15.0000	1.8442	0.7986
			0.82	15.00	7.00	0.78

On the basis of analyzing the differences between the appraised entity and the comparable companies in terms of financing ability and financing cost, and taking into account the financing of the appraised entity in the future years, the average capital structure of the comparable companies is adopted as the target capital structure. In determining the capital structure, taking into account the matching of expected return on debt and the consistency applied in the calculation model; the risk coefficient of β is 0.8234.

No.	Item	Coefficient
1	Unlevered risk coefficient	0.78
2	Income taxes	15%
3	Interest-bearing debts/equity value	7.00%
4	Leverage risk coefficient	0.8234

(4) Determination of company-specific risks

Company-specific risks represent the impact on the expected income of the company due to possible uncertainties during the operation of such company, such as changes in market demand, changes in supply conditions of production factors, competition among peers, monetary circulation, and turnover of capital.

As the appraised entity is a non-listed company and the comparable companies selected for the valuation parameters are listed companies, a specific risk coefficient adjustment is required. After comprehensive consideration of the risk characteristics, enterprise scale, business model, operation stage, core competitiveness, and reliance on major customers and suppliers of the appraised entity, the specific risk coefficient of the appraised entity was determined to be 3% after comprehensive analysis.

(5) Determination of discount rate of cost of equity capital

A discount rate, i.e., 11.85% was determined after substituting the selected risk-free rate of return and risk-return rate in the formula of discount rate estimation.

$$\begin{aligned} R_e &= R_f+\beta\times MRP+R_c \\ &= 11.85\% \end{aligned}$$

No.	**Item**	**Interest rate**
1	Risk-free rate of return (R_f)	3.24%
2	Market risk yield (K_m)	6.81%
3	Risk coefficient (β)	0.8234
4	System risk yield	8.85%
5	Company-specific risk adjustment coefficient (ε)	3.00%
6	CAPM discount rate (R_e) = $R_f+\beta\times(K_m-R_f)+\varepsilon$	11.85%

(6) Determination of discount rate of weighted average cost of capital

Based on the principles and methods for determining the above capital structure, W_d, W_e, R_d were determined as follows:

W_d: The capital structure ratio of interest-bearing debts was 6.55%;

W_e: The equity capital structure ratio was 93.45%;

R_d: After taking into account factors such as the operating performance, capital structure, credit risk, collateral and guarantee of the appraised entity, R_d was adjusted based on the loan prime rate (LPR) promulgated by the National Interbank Funding Centre and determined to be 4.30% in this valuation;

$$R = R_e \times W_e + R_d \times (1-T) \times W_d$$
$$= 11.31\%$$

The discount rate R (WACC) was 11.31%.

No.	Item	Interest rate
1	Interest rate of interest-bearing debts	4.30%
2	Interest-bearing debts (D)	6.55%
3	Equity capital value (E)	93.45%
4	Income taxes	15.00%
5	Percentage of equity value (W_e) = E/(D+E)	93.45%
6	Interest-bearing debts to value (W_d) = D/(D+E)	6.55%
7	WACC discount rate (R) = $R_e \times W_e + R_d \times (1-T) \times W_d$	11.31%
	Rounding	11.31%

III. DESCRIPTION OF THE DISCOUNTED CASH FLOW (DCF) MODEL

The discounted free cash flow model of the enterprise in the discounted cash flow method was selected for this valuation. The basic calculation model of the discounted cash flow method is as follows:

Value of total shareholders' equity = overall enterprise value – value of interest-bearing liabilities

Overall enterprise value = value of operating assets of the valuation subject + value of long-term equity investment of the valuation subject + value of surplus or non-operating assets (liabilities) of the valuation subject

Calculation model of the value of operating assets:

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_{i+1}}{r(1+r)^n}$$

Of which:

R_i: The cash flow of the valuation subject in the future year i;

r: Discount rate;

n: The future operating period of the valuation subject.

1. Determination of income life

During the forecast period, based on the company's historical operating conditions and industry development trends, a two-stage model was adopted, i.e. a reasonable forecast of the company's revenue, costs, expenses and profits is made in the years following the valuation reference date based on factors such as the actual situation and policies of the enterprise and the market, assuming that the perpetual operation period is the same as the last year of the explicit forecast period.

For further details in relation to the length of the income life used in the financial projection and its basis, please refer to the section headed "V. DETERMINATION OF INCOME LIFE" in this appendix.

2. Forecast of future income

Free cash flow of the enterprise = net profit + depreciation and amortisation + interest expense × (1 – tax rate) – capital expenditure – net increase in working capital

Net profit = operating income – operating costs – tax and surcharges – operating expenses – administrative expenses – income tax

For further details in relation to (i) the quantitative information on key projected figures thereunder, (ii) the growth rates applied and an explanation for any deviation from historical trend, and (iii) a narrative of the DCF model to arrive at the value of operating assets of RMB78,636,100 based on, among others, the forecast of future income, the discount rate and the income life, please refer to the section headed "VI. FORECAST OF FUTURE INCOME" in this appendix.

3. Determination of discount rate

Please refer to the section headed "II. THE KEY INPUTS TO THE VALUATION AND ITS DETERMINATION METHODOLOGY" as set out in this appendix.

4. Determination of appraised value of non-operating assets (liabilities) and surplus assets

Non-operating assets (liabilities) refer to assets (liabilities) that are not directly related to the normal operating income of an enterprise and do not generate operating benefits. Surplus assets refer to surplus cash that exceeds the amount of normal operation of the enterprise on the valuation reference date. The cost approach was adopted for this valuation, and the appraised value is RMB17.9682 million.

5. Determination of appraised value of long-term equity investments

This valuation adopted the income approach to calculate and determine the appraised value of total shareholders' equity based on the specific conditions of the long-term equity investment entity, and determines the appraised value of long-term equity investment according to the investment proportion. The appraised value of Wuhan China Nuclear Zhongtong Lanbo Medical Laboratory Co., Ltd. (武漢中核中同藍博醫學檢驗實驗室有限公司) was RMB64.8018 million, the appraised value of China Nuclear Zhongtong Lanbo (Chengdu) Medical Laboratory Co., Ltd. (中核中同藍博(成都)醫學檢驗有限公司) was RMB74.9160 million, the appraised value of China Nuclear Zhongtong Lanbo (Hefei) Medical Laboratory Co., Ltd. (合肥中核中同藍博醫學檢驗實驗室有限公司) was RMB24.2485 million, and the appraised value of Shanghai Eugene Biotech Co., Ltd. (上海優晶生物科技有限公司) was RMB8.5577 million.

The total appraised value of long-term equity investments was RMB172.5240 million.

For further details in relation to the determination of appraised value of long-term equity investments, please refer to the section headed "VII. DETERMINATION OF APPRAISED VALUE OF LONG-TERM EQUITY INVESTMENTS" in this appendix.

6. Determination of appraised value of interest-bearing liabilities

Interest-bearing liabilities refer to the liabilities for which the appraised entity is required to pay interest at the valuation reference date. The cost approach was adopted in this valuation to determine the appraised value of interest-bearing liabilities. The interest-bearing liabilities of the appraised entity were short-term borrowings of RMB9.0125 million and the appraised value was RMB9.0125 million.

7. Determination of the value of total shareholders' equity

Value of total shareholders' equity = value of operating assets + value of non-operating assets + value of long-term equity investment – value of non-operating liabilities – value of interest-bearing liabilities

= 78,636,100+89,337,900–71,369,700+172,524,000–9,012,500
= 260,115,800

IV. SENSITIVITY ANALYSIS

The purpose of the sensitivity analysis is to verify the reasonableness and prudence of the selection of parameters. The key assumptions and the selection of valuation parameters in this valuation were made based on contracts on hand, interviews with the management of the enterprise, industry research data and the actual operating data of the target company from January 2023 to July 2023. The parameters so selected were reasonable, prudent and realizable and did not involve matters that may have a significant impact on the valuation. The reasonableness and realisability of the selection of parameters were illustrated from the three aspects, namely of income, discount rate and gross profit margin as follows:

Income analysis: This income approach forecast is based on the assessment plan of the appraised entity group and the management's operational management plan, and on such basis, a reasonable income approach forecast was arrived at through verifications and adjustments on industry research reports, industry annual reports, financial data of listed companies in the same industry in recent years, as well as signed contracts, orders or potential customers from January 2023 to July 2023. In addition to rental and account management fee income, BNIBT has 11 business lines, of which, no forecast was made for the forecast period for nucleic acid test business due to the end of pandemic period. The analysis of operation of the rest of the 10 business lines was as follows:

A. EIA: The decline in EIA income in 2022 was mainly attributable to the impact of COVID-19 on various cities across the country with frequent lockdowns, with hospitals, blood donation centers and physical examination institutions being subject to crowd control or suspension of operations, resulting in a decline in the number of people tested. At the same time, under the effects of COVID-19, domestic logistics was not smooth, which prevented goods from being despatched. Owing to the characteristics of EIA products, the domestic market has gradually shrunk in recent years. At present, all revenue from January to March was derived from domestic sales. BNIBT is expanding its channels and gradually increasing its export business. As for overseas markets, the cheap price tag is one of the reasons why promotion of EIA products is possible, and the other being the fact that EIA reagents are not paired with any equipment such that the reagents are capable of being applied to all equipment alike. Currently, BNIBT has opened up to new agents such as TIGSUN and Beijing Salerefine Technology Co., Ltd. Currently, it mainly focuses on serving overseas markets in Nigeria, Turkey, Yemen and Malaysia. In terms of first-quarter data, the focal point of BNIBT's work in the first quarter was to deal with the merger and acquisition of Zhongtong Lanbo. During the first quarter, BNIBT restructured its work and clarified its new work ideology and business direction, so it is not reasonable to simply annualise the data from January to March. Since EIA was mainly used for physical examination, its procurement has a certain seasonality, therefore the procurement volume from May to October was larger. As of July 2023, the revenue from EIA amounted to RMB1.70 million, with RMB2.90 million arrived at after simple annualisation. The annual income forecast was at RMB3 million, which was achievable.

B. Radioimmunity: The revenue from radioimmunity products saw a decrease in 2022 mainly due to two factors. 1. Nearly half of the radioimmunity products of BNIBT in the historical period were imported. In the past few years, no registration was required for the import of radiopharmaceuticals in the historical period. In 2022, the state tightened the administration of the import of radioimmunity products and no import quota was given to BNIBT, which resulted in BNBT's forced halting of its import of finished kits, thereby contributing to the insufficient supply of products by BNIBT and a decline in sales. At present, the capacity has been gradually shifted from import to self-production; 2. With the shift in issuer of BNBT's radiation safety certificate from the state previously to the Beijing municipal authority in 2022, the renewal of the certificate delayed the production and operations of BNIBT. BNIBT cannot engage in radioactive activities during the three months from May to August 2022. At the same time, the regulatory requirements was that radioactive drugs cannot be transported through public logistics and special vehicles were needed. The above two reasons led to a decrease in shipment volume and revenue in 2022.

From analysis of the product-side, radioimmunity products have many advantages over CLIA, for example, the price of radioimmunity products is lower, yet the test sensitivity is higher than that of EIA and CLIA, which have greater advantages over small molecules such as hypertension and thyroid. Due to the different principles of radioimmunoassay, substitutability is lower. At the same time, due to the advantages of low price and high sensitivity of radioimmunity, through understanding of the industry, feedback from doctors in the nuclear medicine department of 3A hospitals (such as Peking Union Medical College Hospital) was that the radioimmunity products shall continue to have market presence in the future.

From analysis of the sales-side, customers who use the radioimmunity products are mainly Class III hospitals with nuclear medicine departments, therefore the market demand is stable. For the supply side, there are only three entities in China that produce and sell radioimmunity products (BNIBT, Shandong Sanwei, and Tianjin Xiehe Future). BNIBT is the most stable in terms of technology, lined with most comprehensive product series and having the most advantageous pricing of products, and the historical cooperation relationship with the customers is relatively stable. Meanwhile, the after-sales team of BNIBT can quickly resolve the testing problems customers may encounter, based on three decades of accumulated technical practice. All of the above conditions have endowed upon BNIBT strong competitiveness. In addition, due to demands from overseas market after the COVID-19 pandemic, BNIBT's radioimmunity products are expected to be exported to Bangladesh, South Korea and Indonesia in the future. Therefore, it is expected that BNIBT has the ability to grow steadily in the market in the future. From January to July, the revenue was RMB6.70 million, with annualized figure of RMB11.50 million. The estimated value was approximately RMB13.00 million, which was not significantly different and thus deemed reasonable.

C. Plate luminescence: Plate luminescence is a transitional technology in the process of technological development of the IVD sector. Compared with tubular luminescence technology, plate products are cheaper and more advanced than EIA technology, and being in the middle stage of EIA and tubular luminescence technology.

In terms of market application, plate luminescence is mainly used in medical examination of thyroid function and tumor. Compared with EIA and tubular luminescence technology, plate technology can produce fast test results in a large number of batches, hence usage of this product has been retained by some third-party testing centers. The current stable customers, such as the Fifth People's Hospital of Datong City, had been stable in the procurement of products from BNIBT in tumor testing projects in recent years. At present, the product series in production and sales are mainly thyroid function and tumor. Due to the fact that plate luminescence products are mainly used for medical examination, the volume of purchase from customers in the medical examination season from May to October is relatively large. The current revenue from January to July was RMB700,000, with an annualized amount of approximately RMB1.20 million. The annual revenue is forecasted to be RMB1.50 million, which is not significantly different and is reasonable.

D. Tubular luminescence: BNIBT's tubular luminescence project was established in 2017 and has been developed for 5 years since then. Since tubular is closed system products that often require matching equipment for the promotion of reagents, and the promotion process requires investment in equipment. In the past three years, BNIBT did not have sufficient funds. Therefore, the marketing work was slow, and substantial promotion work started in February 2023. At present, Shenzhen Fapon, a cooperative customer, completed testing of more than 30 products of BNIBT, and the test results were good.

The realizability of future product promotion is mainly from four aspects: technical advantages, product advantages, industrial chain advantages and current customers.

In terms of technical advantages, tubular luminescence technology is mainly divided into flash light, glow luminescence and electrochemistry. BNIBT specializes in flash light technology, which is advanced in the three sub-technology of tubular luminescence. For example, listed companies, such as Autobio, are replacing the glow luminescence with flash light, while the flash light and electrochemistry are the future trend of tubular luminescence. At the same time, there are currently about 270 companies in China that specialize in plate luminescence and tubular luminescence but only few of which are armed with fully independent R&D technology platforms. The technological prowess of BNIBT lies in its complete closed-loop self-development system. For listed companies such as Autobio and Snibe, it's the origins of both their hepatic fibrosis and hypertension technology can be traced back to the technology platform of BNIBT.

In terms of product advantages, the products of BNIBT can be classed amongst world-class brands in terms of indicators and parameters. For example, in the field of oncology, it can be benchmarked against Roche; in the field of gonad, it can be benchmarked against Beckman; and in the field of thyroid function, it can be benchmarked against Siemens, and Shenzhen Fapon issued a full range of testing reports. At the same time, the products of BNIBT have good adaptability to the open equipment in the market, such as CESMO, Nanjing Renman and Shenzhen Fapon. The process of the products of BNIBT is almost not required to be adjusted based on such equipment during the testing process. Therefore, it is less difficult to promote the products of BNIBT in the future and the promotion efficiency is higher. In addition to the advantages of the above product indicators, the product series of BNIBT also maintains the same scale as leading companies in the industry. Currently, there are 38 registration numbers obtained, of which 8 registration numbers in thyroid function category and 7 registration numbers in gonad category were obtained for small molecules (the domestic substitution rate of small molecules in thyroid function and gonad is less than 10%, with high technical barriers therefore BNIBT has obvious technical advantages in this aspect). There are 15 registration numbers in tumor category (which is considered very comprehensive domestically, and the CY211 product of BNIBT is made from self-produced raw materials and uses immunoassay reagents of benchmark quality. When compared with clinical compliance testing, the testing results of BNIBT's CY211 outperformed that of other listed companies; CA153 testing conducted at Zhongshan Hospital Xuhui Branch in Shanghai has a higher compliance rate than those of Roche and Mindray, especially in non-point-of-care testing samples). The remaining registration numbers comprises 4 in high blood pressure category (as high blood pressure requires plasma collection, BNIBT has independently designed and customised blood collection tubes to stabilise pre-analysis samples), 2 in gastric supply category, and 2 in hepatic fibrosis category. There are 12 registration numbers under registration, including 2 in thyroid function category (after registration, BNIBT will have 12 thyroid function registration numbers, making it the most comprehensive domestic enterprise within the field) and 2 in high blood pressure, 3 in hepatic fibrosis, 2 in tumor, 2 in diabetes and 1 in gastric function category. There are 15 projects under planning, including 4 in bone metabolism, 6 in cerebral injuries, 4 in inflammations and 1 in reproductive health that have gone through approval and pilot testing. It is expected that BNIBT will have 65 registration numbers in the tubular field, amongst those topping the ranking in domestic market by around 2024.

In terms of industrial chain advantages, BNIBT has four ICL institutions located in Beijing, Chengdu, Wuhan, and Hefei. The testing service business within the system can support part of the tubular luminescence sales. At the same time, BNIBT currently has a raw material platform, with self-production rate of raw materials (antigens and antibodies) having reached 60%. It is expected to gradually increase to 80% by around 2024, which is on par with major domestic manufacturers such as Autobio and Snibe.

Currently, the international leaders in the chemiluminescence industry are Roche, Abbott, Beckman, and Siemens. In China, the leading companies are Snibe, Autobio, YHLO, and Mindray. These major companies are strong promotional edge in 3A hospitals, while the target customers of BNIBT are mainly 3B or Class II hospitals, such as the Second Affiliated Hospital of Soochow University, the Second Affiliated Hospital of Chengdu Medical College, and the Beijing Nuclear Industry Hospital within the China National Nuclear Medical System. As tubular luminescence features closed system, its reagents are often paired with equipment. In order to reduce initial promotion costs, BNIBT adopts an OEM cooperation model with major host manufacturers, such as Shenzhen Fapon, Guangdong Weishi, Shandong Aikuite, Chongqing Keysmile, SIBET, Shanghai Conlight Medical (by way of a strategic agreement), Horron (having an agreement of RMB1.50 million), Jinan ACCURDX. Discussions are ongoing with Jiangsu ZECEN, Medical System, and Changchun Dirui. All manufacturers are undergoing verification processes. Training sights on future profit growth forecasts, from the perspective of the terminal market, the replacement of imports in secondary and tertiary hospitals ensures a wide berth for the domestic chemiluminescence market. In the future, chemiluminescence will exhibit a polarised development, namely streamlining and miniaturisation. Streamlining could meet the high-throughput needs of large comprehensive hospitals, while miniaturised products meet the requirements of rapid and portable diagnostic products in grassroots medical institutions. BNIBT has collaborated with SIBET to develop small-scale equipment for biochemical and immune testing. This equipment is characterised by low-throughput, modular, easy to assemble and repair, and suitable for promotion at grassroots levels, which differs from those of large-scale, fully integrated equipment used in top-tier hospitals.

Meanwhile, China's POCT market started to develop at a relatively late stage and is still in the early stages of development. The overall market size is relatively small, with low penetration rates in hospitals and other terminals. Compared with developed countries and regions such as the United States and Europe, the per capita expenditure on in vitro diagnosis in China is small, with a relatively small proportion of the POCT industry, indicating a large market potential for growth. As of now, China's biochemical diagnostics have basically freed themselves from foreign constraints, and the domestication process has been completed. The spread of the COVID-19 pandemic has also stimulated a significant demand for POCT (point-of-care testing) technology, making it a new blue ocean market. The future development is promising. With the promotion of factors such as aging population, urbanisation, enhanced medical insurance payment ability, tiered diagnosis and treatment, and increased health awareness, as well as the improvement of supply-side capabilities through technological progress, clinical trials of new projects, and upgrading of raw and auxiliary materials self-sufficiency, China's IVD diagnosis market will maintain a compound annual growth rate of over 15% in the next 5-10 years (Source: "2022 In-depth Industry Analysis Research Report" – P14 – Forward-looking Industry Research Institute, Xiangcai Securities Research Institute).

Considering the aforementioned advantages of BNIBT in terms of technology, product, industrial chain, current customer base, and future advantages and characteristics of miniaturised equipment, and BNIBT's market promotion which had relatively slow development in its early stage compared to that of leading listed companies, therefore reference can be made to the growth rate data of early-stage development of listed companies and BNIBT's growth rate expected to be lower than the projected growth rate made by the industry research. The profit forecast is reasonable and prudent.

E. Export-radioimmunity kits: The customers of BNIBT during the historical period mainly came from Korea and Bangladesh. BNIBT and the Bangladesh Atomic Energy Commission (BAEC) started negotiating cooperation in 2014, with a stable business relationship maintained during the past nine years. At the same time, BNIBT has newly expanded its cooperation with other overseas countries in 2023, for example, BNIBT is currently having negotiation with Indonesia. As of June 2023, BNIBT has provided trainings for 7 hospitals in Indonesia in terms of products and technologies, and authorised a local service provider for product sales and promotion, as a result of which, RMB2.50 million in sales has been recorded from January to July. Combined with the annual procurement plan of the BAEC, the annual forecast is made based on RMB5.00 million, with the growth rate as referred in the Blue Book on the Development of China's In-Vitro-Diagnosis Industry (《中國體外診斷產業發展藍皮書》) – "as the POCT international market is of large size coupled with solid growth, the global POCT testing market is expected to reach nearly US$45.0 billion in total by 2025, representing a growth of 8.9% during the forecast period from 2020 to 2025", pursuant to which, the above forecast is achievable and prudent based on an annual growth rate of 8.9%.

F. Commissioned purchase and sales of kits: the revenue for historical period mainly derived from the commissioned purchase and sales of radioimmunity kits. The decrease in sales in 2022 was mainly due to the stricter administration of imported radiopharmaceuticals which caused difficulty in importing the relevant products and insufficient supply of products. BNIBT has business ties with hospitals across China during its historical period. The "One Product and Two Regulations", which used to control the procurement of hospitals in the past, has limited the number of hospital purchasers, however, BNIBT was included in the purchaser list for hospitals. Therefore, BNIBT will not only be limited to the commission purchase and sales of radioimmunity kits in the future, and it is currently negotiating with Shenzhen Fapon and SIBET, for which BNIBT will subsequently conduct commissioned sales of tubular luminescent equipment. The businesses currently under negotiation include: the medical film purchase commissioned by Xutuoboxing Biotechnology Co., Ltd. (序拓博興生物科技有限公司) and the tubular chemiluminescence purchase and sale commissioned by Beijing Yueze Zhongteng Biotechnology Co., Ltd. (北京越澤中騰生物科技有限公司) for about five hospitals in Shanxi. Considering the uncertainty of the business, it is of prudence to only calculate the revenue of RMB26.00 million in this case, for which a clear procurement intention has been obtained.

According to industry research ("the POCT Industry Wondfo Biotech (300482) In-depth Report" – Huaxin Securities Research Institute – 2.2 Rapid Development in the POCT Industry – P9), the proportion of POCT currently accounts for about 11% of domestic IVD market, which is a far cry from about 30% in developed countries. As the domestic POCT grew late, the market size amounted to RMB8.9 billion in 2018, estimated to reach RMB24.5 billion by 2023, and is expected to maintain a compound growth rate of more than 20%. The average growth rate during the forecast period is only 10%, which is lower than the industry research report, but is of prudence.

G. Scientific research and testing: the analysis of revenue in the historical period shows a 60% increase in revenue from 2020 to 2021, and a 14% decrease in 2022 as compared to 2021, which was due to: (i) the inability to engage in inspection exemption business for 3 months owing to the renewal of the radiation safety permit of BNIBT in 2022; and (ii) the decrease in the number of testing personnel as compared to that of the historical period because pandemic period was not completely over in 2022 in Beijing which resulted in restricted neurology patient visits at hospital.

The customer of the scientific research and testing in BNIBT can be generally categorised into two types, namely college research institutes and hospitals. The hospitals mainly adopt the radioimmunity neuroimmune testing, which is currently mainly for the diagnosis of myasthenia gravis, the incidence rate and the prevalence rate of which in China are about one ten-thousandth and about five ten-thousandth, respectively. According to the "Market Supply and Demand Status and Development Trend Forecast Report of the Myasthenia Gravis Drug Industry in China for 2022-2026" issued by Xinsijie.com, myasthenia gravis is a rare and highly prevalent disease, the prevalence rate of which continues to rise globally, with the global number of myasthenia gravis patients reaching 1.10 million in 2021 and expected to reach 1.20 million by 2030. The number of myasthenia gravis patients in China has also demonstrated a rapid growth, reaching 210,000 in 2021 and is expected to reach 230,000 by 2030. At present, the myasthenia diagnosis in China mainly adopts old techniques such as electromyography, whereas the current radioimmunity technique adopted by BNIBT adopts uses imported British reagents, which possesses unique and advanced features of detection methodology. Besides the existing business, BNIBT is also popularising and introducing such diagnostic methodology for neurological physician across the country. It is also easier for the sales personnel to enter hospitals for business promotion and technical explanations to neurological physician as the pandemic period is over.

The clients of university research institutes primarily consist of universities and research institutes in Beijing, such as China Agricultural University, Capital Medical University, Beijing University of Chinese Medicine, Peking Union Medical College, Peking University, Institute of Animal Husbandry, Chinese Academy of Agricultural Sciences and research-oriented companies (such as Dian Diagnostics (迪安), Kindstar Global (康聖環球) (with a cooperative agreement), Shengyuan (聖元), Ruiao (瑞奧), and 16 other institutions). The testing requirements of universities and research institutes are more diverse compared to that of hospitals. Depending on different research projects, clients need various testing methods to serve them, which goes beyond testing and includes services such as outsourcing experiments, consumables, and model establishment. BNIBT aspires to cater to such demands in the future. Data shows that from 2017 to 2021, the annual average growth rate of funds invested in natural sciences in Beijing was nearly 20%. Such increase in research funding indirectly fuels the demand for testing services in universities and research institutes.

From January 2023 to July 2023, the revenue reached RMB3.20 million, with a simple annualisation of approximately RMB5.50 million. The projected revenue for the entire year is RMB6.50 million, which does not deviate significantly from the annualised amount and is similar to the revenue scale in 2022. This forecast is achievable.

H. General Testing: This business line is expected to cover all testing items by the end of 2023. The main reason for adding the general testing business line is the integration of Beijing Lanbo (北京蘭博) into BNIBT at the end of 2022, which has a fine customer base. Additionally, BNIBT's customers in the field of radioimmunity, tubular, and research testing include the Aviation General Hospital, Aerospace General Hospital, Beijing Rehabilitation Medical Examination Center, Jiuhua Health Check-up, Songqiao Health Checkup, Beijing Nuclear Industry Hospital, and Naval General Hospital. After integration with Beijing Lanbo, the general testing line will be stronger compared to Beijing Lanbo's historical period. Beijing Zhongtong Lanbo Clinical Testing Office (北京中同蘭博臨床檢驗所有限公司) recorded revenue of approximately RMB73.00 million before the pandemic period in 2019, which indicates that BNIBT has a sufficient customer base, and the awareness of ICL has increased due to the COVID-19 pandemic, leading to increased emphasis on personal health checkup.

Therefore, future demand is expected to increase. The average annual growth rate of Beijing Lanbo's revenue during the historical period is 20%, demonstrating BNIBT's strong market expansion capability. The revenue for the sustainable period is estimated to be RMB52.00 million, which is lower than Beijing Lanbo's average revenue scale of RMB55.00 million during the historical period, which is feasible and prudent.

As the population ageing accelerates, urbanisation levels gradually increase, and residents' awareness of health strengthens, China's medical and health market demand maintains strong endogenous growth. The outbreak of the COVID-19 pandemic in 2020 has led the general public to place greater emphasis on the quality of life and health safety. Under the leadership of the Party Central Committee and the State Council, the National Health Commission has made every effort to promote the construction of healthy China. In addition, the domestic ICL industry started to develop at a relatively late stage. Since 2009, favourable policies for the domestic ICL industry have been continuously introduced and refined, leading to an improved development environment for domestic ICL. According to the 2021 annual report of KingMed Diagnostics, the penetration rate of the domestic ICL market (as a proportion of the clinical testing market) in 2020 was only 8%, compared to the penetration rates of 35%, 50%, and 67% in the mature ICL markets of the United States, Europe, and Japan, respectively. Therefore, with the promotion of tiered diagnosis and treatment, increased pressure on healthcare cost control, reforms in the payment methods of DRG/DIP, and the development of primary healthcare, the domestic ICL industry is expected to face a historic development opportunity similar to that of the United States in the 1960s to 1990s (In-depth Report on ICL Industry KingMed Diagnostics (603882) – Hua Chuang Securities – P2).

I. Sales of Materials and Semi-Finished Products: According to the Blue Book on the Development of China's In-Vitro-Diagnosis Industry, the IVD industry showed rapid growth due to the impact by the COVID-19 pandemic in 2019 and 2020. According to the 2019 In-Vitro-Diagnosis Industry Development Report and the 2020 In-Vitro-Diagnosis Industry Development Report, the market size of the IVD industry in 2019 increased by about 10% to 15%, and achieved an increase of more than 40% in 2020. The growth of the industry market has driven the growth of the market size of core raw materials of IVD reagents ranging from RMB6.0 billion to RMB7.0 billion to more than RMB10.0 billion. It is estimated that the growth rate of raw materials of IVD reagents will exceed 20% in 2021. From the perspective of the overall market of raw materials for IVD reagents, more than 80% of the products are provided by overseas brands, therefore substituting imported brands will be the main trend in the next 3 to 5 years. In the difference adjustment of the raw material enterprises of IVD reagents, more than 50% of the enterprises believed that the growth rate of the industrial market size was 20% to 30%. The growth rate in this calculation is 20%, which is the lowest end of industry research, and is of prudence. Meanwhile, BNIBT achieved revenue of RMB1.20 million from January 2023 to July 2023, with a simple annualisation of approximately RMB2.00 million. The annual forecast is RMB2.03 million, which is not substantially different from the annualised amount and achievable.

J: LDT Project: The origin of the LDT project is based on liver cancer diagnosis technology in October 2022, BNIBT and Beijing Zheyuan Technology Co., Ltd. (北京哲源科技有限責任公司), an incubation enterprise of the Computer Institute of Chinese Academy of Sciences, jointly developed a tumour companion diagnosis project and signed a strategic cooperation agreement. In 2022, China has issued an expert consensus on liver cancer diagnosis. The products of BNIBT can sample patients with Stage II and Stage III liver cancer and then analyse whether they meet the diagnosis and treatment strategies of the expert consensus on liver cancer diagnosis. The Zhuzhou People's Hospital in Hunan Province has started such business sales in June 2023. According to the statistics of the Chinese Expert Consensus on Hepatic Artery Perfusion Chemotherapy for Hepatocellular Carcinoma (2021 Edition), the number of liver cancer cases per year in China is about 370,000, among which, hepatocellular carcinoma accounts for 85%. The applicable population of HAIC is mainly (1) patients with Stage IIb, Stage IIIa, and Stage IIIb of China's liver cancer staging system (CNLC); (2) patients with inability to conduct surgery for various reasons. According to the statistics report of Analysis of the Annual Expenditure Per Liver Cancer Patient in China: from the Perspective of the Whole Disease Course issued by the National Cancer Centre, such population (Stage III and Stage IV patients accounted for 44.7% and 17.9%, respectively) accounted for approximately 62.6%. As a result, the target population of FOLFOX treatment solution market is approximately 200,600 (37×85%×62.6%=20.06). According to the analysis report of Frost & Sullivan, as domestic molecular diagnostic market started to develop a relatively late stage, the size of the tumour molecular diagnostic market is relatively small compared to the potential market, and the penetration rate of molecular diagnosis and testing in the potential market was approximately 1.5% in 2021, and therefore the testing volume of the project per year is expected to be about 2,953 cases (37×85%×62.6%×1.5%=2,953). According to the analysis report of Frost & Sullivan, the compound growth rate of the PCR-based testing market is 19.1% from 2021 to 2026. The growth rate adopted in this forecast is lower than that of the analysis report of Frost & Sullivan, and is of prudence.

Discount rate analysis: The parameters affecting the determination of the discount rate are risk-free rate of return, average market risk premium, risk coefficient of β, company specific risk. Please refer to the section headed "II. THE KEY INPUTS TO THE VALUATION AND ITS DETERMINATION METHODOLOGY" as set out in this appendix.

Analysis of various parameters selection process:

1. Determination of risk-free rate of return

The average yield to maturity of treasury bonds with a remaining maturity of more than 10 years as at the valuation reference date of 3.24% was selected as the risk-free rate of return through enquiry with the WIND financial terminal for this valuation.

2. Determination of average market risk premium

The Market Risk Premium is the difference between the expected rate of return and the risk-free rate. The calculated market risk premium is determined to be 6.81%.

3. Determination of risk coefficient of β

Upon enquiry with the WIND financial terminal, on the basis of comprehensive consideration of the comparability of the comparable listed companies and the appraised enterprise in terms of business type, enterprise scale, profitability, growth and other aspects, the β coefficient with financial leverage of the appropriate comparable listed companies at the valuation reference date for the appropriate maturity period and the ratio of interest-bearing debt to equity capital was selected to be converted into the β coefficient without financial leverage, and take its arithmetic mean.

Taking into account the financing of the appraised enterprise in the future years, the average capital structure of comparable companies was adopted as the target capital structure. In determining the capital structure, consideration has been given to the matching of expected return on debt and the consistency applied in the calculation model; the risk coefficient of β is 0.8234.

4. Determination of company-specific risks

After comprehensive consideration of the risk characteristics, enterprise scale, business model, operation stage, core competitiveness, and reliance on major customers and suppliers of the appraised entity, the specific risk coefficient of the appraised entity was determined to be 3% after comprehensive analysis.

Gross profit margin analysis: Please refer to the section headed "IV. SENSITIVITY ANALYSIS" set out in this appendix for the logic and analysis of revenue forecast. With respect to cost, the current direct material cost was calculated using the variable cost rate. The variable cost rates during historical period were 71.3%, 76.9%, 68.8% and 49%, with 67% on average. With reference to the financial statements as of July 2023, the current variable cost rate is 68.7%. The forecast is justifiable by choosing 67% as its calculation. At the same time, according to the research reports of securities firms and industry research, the consolidated gross profit within the industry is expected to be more than 69% in the future. The consolidated gross profit in the forecast period was lower than the estimated level in the industry, which is prudent and reasonable. Prior to the consolidation of Beifang Lambo (北方藍博), the consolidated gross profit of the enterprise was 42% for 2020, 43% for 2021, and 46.3% for the forecast period from 2024 to 2028 on average, which is not significantly different from the historical period, and at the same time, by comparing the gross profit of 48.6% for KingMed Diagnostics (excluding COVID-19) and the estimated gross profit of 70% for Snibe in the next three years, the gross profit in the forecast is lower than the industry, and is prudent and reasonable. In terms of labour costs, under the management ideas of post-pandemic cost reduction and efficiency enhancement and adjustment of business direction, redundant personnel were reduced. As of the end of July 2023, BNIBT has completed the layoff, with 85 employees laid off, resulting in a staff streamline rate of 36%. The labour cost was projected based on the cut-down plan, which is reasonable and prudent.

In conclusion, there are no assumptions and valuation parameters involved in this valuation that may have a significant impact on the valuation. The valuation assumptions and valuation parameters selected in the valuation process are based on a reasonable and prudent perspective, and are considered in combination with the current actual situation of the appraised entity and the industry in which it operates. Therefore, there will be no material changes, which will not lead to material changes in the appraised value.

V. DETERMINATION OF INCOME LIFE

The length of the income life used in the financial projection and its basis

The forecast period refers to the period from valuation reference date till the date when the enterprise achieves relatively stable operation. Based on the company's historical operating conditions and industry development trends, a two-stage model was adopted for this valuation, i.e. a reasonable forecast of the company's revenue, costs, expenses and profits is made in the years based on factors such as the actual operation conditions and policies of the enterprise and the market following the valuation reference date, assuming that the perpetual operation period is the same as the last year of the explicit forecast period. The forecast period covers April 2023 to 2028, with a perpetual period entered into in 2029.

With the reference to the description for selection of the forecast period set out in "Article 12" under "Chapter III Income Approach" of the Practice Standards for Assets Appraisal – Asset Appraisal Approach, the Standards for Assets Appraisal does not expressly specify the length of forecast period. According to the Article 22 of the "Asset Appraisal Expert Guidance No. 11 – Assessment of Goodwill Impairment Tests", it stipulates that "the detailed forecast period of the projected cash flows in the future as approved by the management of the enterprise which is obtained by the valuation professionals usually covers a period of five years", and such forecast approach is generally adopted in the asset appraisal industry for the purpose of the calculations by using a forecast period of five years or five years and extended period which is followed by perpetual period.

VI. FORECAST OF FUTURE INCOME

(a) Quantitative information on key projected figures (including, without limitation, revenue growth rates, the gross profit or EBITDA margins, changes in major expenses and its plan for capital expenditure and the supporting rationale)

Revenue and revenue growth rate:

The forecasted revenue is as follows:

Unit: RMB

Revenue forecast table

		Historical Year					**Forecast period**				
No.	**Name of key products**	**2020**	**2021**	**2022**	**January to March 2023**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**
1	EIA- self-production	4,803,553.30	4,843,276.02	3,362,687.06	634,044.06	2,365,955.94	3,090,000.00	3,182,700.00	3,278,200.00	3,376,500.00	3,477,800.00
2	Radioimmunity	27,495,096.62	29,561,982.96	15,658,144.31	2,821,684.36	10,178,300.00	13,390,000.00	13,791,700.00	14,205,500.00	14,631,700.00	15,070,700.00
3	Plate luminescence	2,491,325.00	1,956,591.25	1,152,019.56	326,305.87	1,173,694.13	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00
4	Tubular luminescence			120,932.03		5,000,000.00	15,000,000.00	18,000,000.00	19,800,000.00	20,790,000.00	21,413,700.00
5	Export-radioimmunity kits	3,921,531.89	4,222,533.35	4,533,333.87	929,845.20	4,070,154.80	4,432,400.00	4,826,900.00	5,256,500.00	5,724,300.00	6,233,800.00
6	Commissioned purchase and sales of kits	33,356,994.61	27,807,083.36	20,571,186.15	3,059,473.73	22,940,526.27	24,000,000.00	27,600,000.00	30,360,000.00	31,878,000.00	32,834,300.00
7	Scientific research and testing	4,591,199.69	7,365,271.21	6,366,941.28	1,304,905.64	5,195,094.36	7,475,000.00	8,596,300.00	9,885,700.00	11,368,600.00	13,073,900.00
8	Nucleic acid testing			186,156.88	1,308,245.32						
9	General testing					2,000,000.00	12,000,000.00	22,000,000.00	32,000,000.00	42,000,000.00	52,000,000.00
10	Sales of materials and semi-finished products	108,055.21	115,295.16	291,095.63	35,339.90	2,000,000.00	2,442,400.00	2,930,900.00	3,517,100.00	4,220,500.00	5,064,600.00
11	LDT project					500,000.00	1,000,000.00	1,250,000.00	1,437,500.00	1,581,300.00	1,660,400.00
12	Others- account management fee	365,453.79	281,210.67	649,691.47		180,000.00	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00
	Total	**77,133,210.11**	**76,153,243.98**	**52,892,188.24**	**10,419,844.08**	**55,603,725.50**	**84,509,800.00**	**103,858,500.00**	**121,420,500.00**	**137,250,900.00**	**152,509,200.00**

The revenue growth rates are as follows:

No.	Name of key products	2021	2022	2023	2024	2025	2026	2027	2028
1	EIA- self-production	0.83%	-30.57%	-10.79%	3.00%	3.00%	3.00%	3.00%	3.00%
2	Radioimmunity	7.52%	-47.03%	-16.98%	3.00%	3.00%	3.00%	3.00%	3.00%
3	Plate luminescence	-21.46%	-41.12%	30.21%	0.00%	0.00%	0.00%	0.00%	0.00%
4	Tubular luminescence			4034.55%	200.00%	20.00%	10.00%	5.00%	3.00%
5	Export-radioimmunity kits	7.68%	7.36%	10.29%	-11.35%	8.90%	8.90%	8.90%	8.90%
6	Commissioned purchase and sales of kits	-16.64%	-26.02%	26.39%	-7.69%	15.00%	10.00%	5.00%	3.00%
7	Scientific research and testing	60.42%	-13.55%	2.09%	15.00%	15.00%	15.00%	15.00%	15.00%
8	Nucleic acid testing			602.76%	-100.00%				
9	General testing				500.00%	83.33%	45.45%	31.25%	23.81%
10	Sales of materials and semi-finished products	6.70%	152.48%	599.20%	20.00%	20.00%	20.00%	20.00%	20.00%
11	LDT project				100.00%	25.00%	15.00%	10.00%	5.00%
12	Others- account management fee	-23.05%	131.03%	-72.29%	0.00%	0.00%	0.00%	0.00%	0.00%
	Total	**-1.27%**	**-30.55%**	**24.83%**	**28.00%**	**22.90%**	**16.91%**	**13.04%**	**11.12%**

A. EIA: The decline in EIA income in 2022 was mainly attributable to the impact of COVID-19 on various cities across the country with frequent lockdowns, with hospitals, blood donation centers and physical examination institutions being subject to crowd control or suspension of operations, resulting in a decline in the number of people tested. At the same time, under the effects of COVID-19, domestic logistics was not smooth, which prevented goods from being despatched. Owing to the characteristics of EIA products, the domestic market has gradually shrunk in recent years. At present, all revenue from January to March was derived from domestic sales. BNIBT is expanding its channels and gradually increasing its export business. As for overseas markets, the cheap price tag is one of the reasons why promotion of EIA products is possible, and the other being the fact that EIA reagents are not paired with any equipment such that the reagents are capable of being applied to all equipment alike. Currently, BNIBT has opened up to new agents such as TIGSUN and Beijing Salerefine Technology Co., Ltd. Currently, it mainly focuses on serving overseas markets in Nigeria, Turkey, Yemen and Malaysia. In terms of first-quarter data, the focal point of BNIBT's work in the first quarter was to deal with the merger and acquisition of Zhongtong Lanbo. During the first quarter, BNIBT restructured its work and clarified its new work ideology and business direction, so it is not reasonable to simply annualise the data from January to March. Since EIA was mainly used for physical examination, its procurement has a certain seasonality, therefore the procurement volume from May to October was larger. As of July 2023, the revenue from EIA amounted to RMB1.70 million, with RMB2.90 million arrived at after simple annualisation. The annual income forecast was at RMB3 million, which was achievable.

B. Radioimmunity: The revenue from radioimmunity products saw a decrease in 2022 mainly due to two factors, 1. Nearly half of the radioimmunity products of BNIBT in the historical period were imported. In the past few years, no registration was required for the import of radiopharmaceuticals in the historical period. In 2022, the state tightened the administration of the import of radioimmunity products and no import quota was given to BNIBT, which resulted in BNBT's forced halting of its import of finished kits, thereby contributing to the insufficient supply of products by BNIBT and a decline in sales. At present, the capacity has been gradually shifted from import to self-production; 2. With the shift in issuer of BNBT's radiation safety certificate from the state previously to the Beijing municipal authority in 2022, the renewal of the certificate delayed the production and operations of BNIBT. BNIBT cannot engage in radioactive activities during the three months from May to August 2022. At the same time, the regulatory requirements was that radioactive drugs cannot be transported through public logistics and special vehicles were needed. The above two reasons led to a decrease in shipment volume and revenue in 2022.

From analysis of the product-side, radioimmunity products have many advantages over CLIA, for example, the price of radioimmunity products is lower, yet the test sensitivity is higher than that of EIA and CLIA, which have greater advantages over small molecules such as hypertension and thyroid. Due to the different principles of radioimmunoassay, substitutability is lower. At the same time, due to the advantages of low price and high sensitivity of radioimmunity, through understanding of the industry, feedback from doctors in the nuclear medicine department of 3A hospitals (such as Peking Union Medical College Hospital) was that the radioimmunity products shall continue to have market presence in the future.

From analysis of the sales-side, customers who use the radioimmunity products are mainly Class III hospitals with nuclear medicine departments, therefore the market demand is stable. For the supply side, there are only three entities in China that produce and sell radioimmunity products (BNIBT, Shandong Sanwei, and Tianjin Xiehe Future). BNIBT is the most stable in terms of technology, lined with most comprehensive product series and having the most advantageous pricing of products, and the historical cooperation relationship with the customers is relatively stable. Meanwhile, the after-sales team of BNIBT can quickly resolve the testing problems customers may encounter, based on three decades of accumulated technical practice. All of the above conditions have endowed upon BNIBT strong competitiveness. In addition, due to demands from overseas market after the COVID-19 pandemic, BNIBT's radioimmunity products are expected to be exported to Bangladesh, South Korea and Indonesia in the future. Therefore, it is expected that BNIBT has the ability to grow steadily in the market in the future. From January to July, the revenue was RMB6.70 million, with annualised figure of RMB11.50 million. The estimated value was approximately RMB13.00 million, which was not significantly different and thus deemed reasonable.

C. Plate luminescence: Plate luminescence is a transitional technology in the process of technological development of the IVD sector. Compared with tubular luminescence technology, plate products are cheaper and more advanced than EIA technology, and being in the middle stage of EIA and tubular luminescence technology.

In terms of market application, plate luminescence is mainly used in medical examination of thyroid function and tumor. Compared with EIA and tubular luminescence technology, plate technology can produce fast test results in a large number of batches, hence usage of this product has been retained by some third-party testing centers. The current stable customers, such as the Fifth People's Hospital of Datong City, had been stable in the procurement of products from BNIBT in tumor testing projects in recent years. At present, the product series in production and sales are mainly thyroid function and tumor. Due to the fact that plate luminescence products are mainly used for medical examination, the volume of purchase from customers in the medical examination season from May to October is relatively large. The current revenue from January to July was RMB700,000, with an annualised amount of approximately RMB1.20 million. The annual revenue is forecasted to be RMB1.50 million, which is not significantly different and is reasonable. Based on the management's business plan and the characteristics of the market application and stage of plate luminescence products, it is estimated that no future grow will be seen in this business line and it will maintain a steadily scale of revenue.

D. Tubular luminescence: BNIBT's tubular luminescence project was established in 2017 and has been developed for 5 years since then. Since tubular is closed system products that often require matching equipment for the promotion of reagents, and the promotion process requires investment in equipment. In the past three years, BNIBT did not have sufficient funds. Therefore, the marketing work was slow, and substantial promotion work started in February 2023. At present, Shenzhen Fapon, a cooperative customer, completed testing of more than 30 products of BNIBT, and the test results were good.

The realizability of future product promotion is mainly from four aspects: technical advantages, product advantages, industrial chain advantages and current customers.

In terms of technical advantages, tubular luminescence technology is mainly divided into flash light, glow luminescence and electrochemistry. BNIBT specialises in flash light technology, which is advanced in the three sub-technology of tubular luminescence. For example, listed companies, such as Autobio, are replacing the glow luminescence with flash light, while the flash light and electrochemistry are the future trend of tubular luminescence. At the same time, there are currently about 270 companies in China that specialise in plate luminescence and tubular luminescence but only few of which are armed with fully independent R&D technology platforms. The technological prowess of BNIBT lies in its complete closed-loop self-development system. For listed companies such as Autobio and Snibe, it's the origins of both their hepatic fibrosis and hypertension technology can be traced back to the technology platform of BNIBT.

In terms of product advantages, the products of BNIBT can be classed amongst world-class brands in terms of indicators and parameters. For example, in the field of oncology, it can be benchmarked against Roche; in the field of gonad, it can be benchmarked against Beckman; and in the field of thyroid function, it can be benchmarked against Siemens, and Shenzhen Fapon issued a full range of testing reports. At the same time, the products of BNIBT have good adaptability to the open equipment in the market, such as CESMO, Nanjing Renman and Shenzhen Fapon. The process of the products of BNIBT is almost not required to be adjusted based on such equipment during the testing process. Therefore, it is less difficult to promote the products of BNIBT in the future and the promotion efficiency is higher. In addition to the advantages of the above product indicators, the product series of BNIBT also maintains the same scale as leading companies in the industry.

Currently, there are 38 registration numbers obtained, of which 8 registration numbers in thyroid function category and 7 registration numbers in gonad category were obtained for small molecules (the domestic substitution rate of small molecules in thyroid function and gonad is less than 10%, with high technical barriers therefore BNIBT has obvious technical advantages in this aspect). There are 15 registration numbers in tumor category (which is considered very comprehensive domestically, and the CY211 product of BNIBT is made from self-produced raw materials and uses immunoassay reagents of benchmark quality. When compared with clinical compliance testing, the testing results of BNIBT's CY211 outperformed that of other listed companies; CA153 testing conducted at Zhongshan Hospital Xuhui Branch in Shanghai has a higher compliance rate than those of Roche and Mindray, especially in non-point-of-care testing samples). The remaining registration numbers comprises 4 in high blood pressure category (as high blood pressure requires plasma collection, BNIBT has independently designed and customised blood collection tubes to stabilise pre-analysis samples), 2 in gastric supply category, and 2 in hepatic fibrosis category. There are 12 registration numbers under registration, including 2 in thyroid function category (after registration, BNIBT will have 12 thyroid function registration numbers, making it the most comprehensive domestic enterprise within the field) and 2 in high blood pressure, 3 in hepatic fibrosis, 2 in tumor, 2 in diabetes and 1 in gastric function category. There are 15 projects under planning, including 4 in bone metabolism, 6 in cerebral injuries, 4 in inflammations and 1 in reproductive health that have gone through approval and pilot testing. It is expected that BNIBT will have 65 registration numbers in the tubular field, amongst those topping the ranking in domestic market by around 2024.

In terms of industrial chain advantages, BNIBT has four ICL institutions located in Beijing, Chengdu, Wuhan, and Hefei. The testing service business within the system can support part of the tubular luminescence sales. At the same time, BNIBT currently has a raw material platform, with self-production rate of raw materials (antigens and antibodies) having reached 60%. It is expected to gradually increase to 80% by 2024, which is on par with major domestic manufacturers such as Autobio and Snibe.

Currently, the international leaders in the chemiluminescence industry are Roche, Abbott, Beckman, and Siemens. In China, the leading companies are Snibe, Autobio, YHLO, and Mindray. These major companies are strong promotional edge in 3A hospitals, while the target customers of BNIBT are mainly 3B or Class II hospitals, such as the Second Affiliated Hospital of Soochow University, the Second Affiliated Hospital of Chengdu Medical College, and the Beijing Nuclear Industry Hospital within the China National Nuclear Medical System. As tubular luminescence features closed system, its reagents are often paired with equipment. In order to reduce initial promotion costs, BNIBT adopts an OEM cooperation model with major host manufacturers, such as Shenzhen Fapon, Guangdong Weishi, Shandong Aikuite, Chongqing Keysmile, SIBET, Shanghai Conlight Medical (by way of a strategic agreement), Horron (having an agreement of RMB1.50 million), Jinan ACCURDX. Discussions are ongoing with Jiangsu ZECEN, Medical System, and Changchun Dirui. All manufacturers are undergoing verification processes. Training sights on future profit growth forecasts, from the perspective of the terminal market, the replacement of imports in secondary and tertiary hospitals ensures a wide berth for the domestic chemiluminescence market. In the future, chemiluminescence will exhibit a polarised development, namely streamlining and miniaturization. Streamlining could meet the high-throughput needs of large comprehensive hospitals, while miniaturised products meet the requirements of rapid and portable diagnostic products in grassroots medical institutions. BNIBT has collaborated with SIBET to develop small-scale equipment for biochemical and immune testing. This equipment is characterised by low-throughput, modular, easy to assemble and repair, and suitable for promotion at grassroots levels, which differs from those of large-scale, fully integrated equipment used in top-tier hospitals.

Meanwhile, China's POCT market started to develop at a relatively late stage and is still in the early stages of development. The overall market size is relatively small, with low penetration rates in hospitals and other terminals. Compared with developed countries and regions such as the United States and Europe, the per capita expenditure on in vitro diagnosis in China is small, with a relatively small proportion of the POCT industry, indicating a large market potential for growth. As of now, China's biochemical diagnostics have basically freed themselves from foreign constraints, and the domestication process has been completed. The spread of the COVID-19 pandemic has also stimulated a significant demand for POCT (point-of-care testing) technology, making it a new blue ocean market. The future development is promising. With the promotion of factors such as aging population, urbanization, enhanced medical insurance payment ability, tiered diagnosis and treatment, and increased health awareness, as well as the improvement of supply-side capabilities through technological progress, clinical trials of new projects, and upgrading of raw and auxiliary materials self-sufficiency, China's IVD diagnosis market will maintain a compound annual growth rate of over 15% in the next 5-10 years (Source: "2022 In-depth Industry Analysis Research Report" – P14 – Forward-looking Industry Research Institute, Xiangcai Securities Research Institute).

Considering the aforementioned advantages of BNIBT in terms of technology, product, industrial chain, current customer base, and future advantages and characteristics of miniaturised equipment, and BNIBT's market promotion which had relatively slow development in its early stage compared to that of leading listed companies, therefore reference can be made to the growth rate data of early-stage development of listed companies and BNIBT's growth rate expected to be lower than the projected growth rate made by the industry research. The profit forecast is reasonable and prudent.

E. Export-radioimmunity kits: The customers of BNIBT during the historical period mainly came from Korea and Bangladesh. BNIBT and the Bangladesh Atomic Energy Commission (BAEC) started negotiating cooperation in 2014, with a stable business relationship maintained during the past nine years. At the same time, BNIBT has newly expanded its cooperation with other overseas countries in 2023, for example, BNIBT is currently having negotiation with Indonesia. As of June 2023, BNIBT has provided trainings for 7 hospitals in Indonesia in terms of products and technologies, and authorised a local service provider for product sales and promotion, as a result of which, RMB2.50 million in sales has been recorded from January to July. Combined with the annual procurement plan of the BAEC, the annual forecast is made based on RMB5.00 million, with the growth rate as referred in the Blue Book on the Development of China's In-Vitro-Diagnosis Industry (《中國體外診斷產業發展藍皮書》) – "as the POCT international market is of large size coupled with solid growth, the global POCT testing market is expected to reach nearly US$45.0 billion in total by 2025", representing a growth of 8.9% during the forecast period from 2020 to 2025, pursuant to which, the above forecast is achievable and prudent based on an annual growth rate of 8.9%.

F. Commissioned purchase and sales of kits: the revenue for historical period mainly derived from the commissioned purchase and sales of radioimmunity kits. The decrease in sales in 2022 was mainly due to the stricter administration of imported radiopharmaceuticals which caused difficulty in importing the relevant products and insufficient supply of products. BNIBT has business ties with hospitals across China during its historical period. The "One Product and Two Regulations", which used to control the procurement of hospitals in the past, has limited the number of hospital purchasers, however, BNIBT was included in the purchaser list for hospitals. Therefore, BNIBT will not only be limited to the commission purchase and sales of radioimmunity kits in the future, and it is currently negotiating with Shenzhen Fapon and SIBET, for which BNIBT will subsequently conduct commissioned sales of tubular luminescent equipment. The businesses currently under negotiation include: the medical film purchase commissioned by Xutuoboxing Biotechnology Co., Ltd. (序拓博興生物科技有限公司) and the tubular chemiluminescence purchase and sale commissioned by Beijing Yueze Zhongteng Biotechnology Co., Ltd. (北京越澤中騰生物科技有限公司) for about five hospitals in Shanxi. Considering the uncertainty of the business, it is of prudence to only calculate the revenue of RMB26.00 million in this case, for which a clear procurement intention has been obtained.

According to industry research ("the POCT Industry Wondfo Biotech (300482) In-depth Report" – Huaxin Securities Research Institute – 2.2 Rapid Development in the POCT Industry – P9), the proportion of POCT currently accounts for about 11% of domestic IVD market, which is a far cry from about 30% in developed countries. As the domestic POCT grew late, the market size amounted to RMB8.9 billion in 2018, estimated to reach RMB24.5 billion by 2023, and is expected to maintain a compound growth rate of more than 20%. The average growth rate during the forecast period is only 10%, which is lower than the industry research report, but is of prudence.

G. Scientific research and testing: the analysis of revenue in the historical period shows a 60% increase in revenue from 2020 to 2021, and a 14% decrease in 2022 as compared to 2021, which was due to: (i) the inability to engage in inspection exemption business for 3 months owing to the renewal of the radiation safety permit of BNIBT in 2022; and (ii) the decrease in the number of testing personnel as compared to that of the historical period because pandemic period was not completely over in 2022 in Beijing which resulted in restricted neurology patient visits at hospital.

The customer of the scientific research and testing in BNIBT can be generally categorised into two types, namely college research institutes and hospitals. The hospitals mainly adopt the radioimmunity neuroimmune testing, which is currently mainly for the diagnosis of myasthenia gravis, the incidence rate and the prevalence rate of which in China are about one ten-thousandth and about five ten-thousandth, respectively. According to the "Market Supply and Demand Status and Development Trend Forecast Report of the Myasthenia Gravis Drug Industry in China for 2022-2026" issued by Xinsijie.com, myasthenia gravis is a rare and highly prevalent disease, the prevalence rate of which continues to rise globally, with the global number of myasthenia gravis patients reaching 1.10 million in 2021 and expected to reach 1.20 million by 2030. The number of myasthenia gravis patients in China has also demonstrated a rapid growth, reaching 210,000 in 2021 and is expected to reach 230,000 by 2030. At present, the myasthenia diagnosis in China mainly adopts old techniques such as electromyography, whereas the current radioimmunity technique adopted by BNIBT adopts uses imported British reagents, which possesses unique and advanced features of detection methodology. Besides the existing business, BNIBT is also popularising and introducing such diagnostic methodology for neurological physician across the country. It is also easier for the sales personnel to enter hospitals for business promotion and technical explanations to neurological physician as the pandemic period is over.

The clients of university research institutes primarily consist of universities and research institutes in Beijing, such as China Agricultural University, Capital Medical University, Beijing University of Chinese Medicine, Peking Union Medical College, Peking University, Institute of Animal Husbandry, Chinese Academy of Agricultural Sciences. research-oriented companies (around 16 institutions such as Dian Diagnostics (迪安), Kindstar Global (康聖環球) (with a cooperative agreement), Shengyuan (聖元), Ruiao (瑞奥)). The testing requirements of universities and research institutes are more diverse compared to that of hospitals. Depending on different research projects, clients need various testing methods to serve them, which goes beyond testing and includes services such as outsourcing experiments, consumables, and model establishment. BNIBT aspires to cater to such demands in the future. Data shows that from 2017 to 2021, the annual average growth rate of funds invested in natural sciences in Beijing was nearly 20%. Such increase in research funding indirectly fuels the demand for testing services in universities and research institutes.

From January 2023 to July 2023, the revenue reached RMB3.20 million, with a simple annualisation of approximately RMB5.50 million. The projected revenue for the entire year is RMB6.50 million, which does not deviate significantly from the annualised amount and is similar to the revenue scale in 2022. This forecast is achievable.

H. General Testing: This business line is expected to cover all testing items by the end of 2023. The main reason for adding the general testing business line is the integration of Beijing Lanbo (北京蘭博) into BNIBT at the end of 2022, which has a fine customer base. Additionally, BNIBT's customers in the field of radioimmunity, tubular, and research testing include the Aviation General Hospital, Aerospace General Hospital, Beijing Rehabilitation Medical Examination Center, Jiuhua Health Check-up, Songqiao Health Checkup, Beijing Nuclear Industry Hospital, and Naval General Hospital. After integration with Beijing Lanbo, the general testing line will be stronger compared to Beijing Lanbo's historical period. Beijing Zhongtong Lanbo Clinical Testing Office (北京中同蘭博臨床檢驗所有限公司) recorded revenue of approximately RMB73.00 million before the pandemic period in 2019, which indicates that BNIBT has a sufficient customer base, and the awareness of ICL has increased due to the COVID-19 pandemic, leading to increased emphasis on personal health checkup. Therefore, future demand is expected to increase. The average annual growth rate of Beijing Lanbo's revenue during the historical period is 20%, demonstrating BNIBT's strong market expansion capability. The revenue for the sustainable period is estimated to be RMB52.00 million, which is lower than Beijing Lanbo's average revenue scale of RMB55.00 million during the historical period, which is feasible and prudent.

As the population ageing accelerates, urbanisation levels gradually increase, and residents' awareness of health strengthens, China's medical and health market demand maintains strong endogenous growth. The outbreak of the COVID-19 pandemic in 2020 has led the general public to place greater emphasis on the quality of life and health safety. Under the leadership of the Party Central Committee and the State Council, the National Health Commission has made every effort to promote the construction of healthy China. In addition, the domestic ICL industry started to develop at a relatively late stage. Since 2009, favourable policies for the domestic ICL industry have been continuously introduced and refined, leading to an improved development environment for domestic ICL. According to the 2021 annual report of KingMed Diagnostics, the penetration rate of the domestic ICL market (as a proportion of the clinical testing market) in 2020 was only 8%, compared to the penetration rates of 35%, 50%, and 67% in the mature ICL markets of the United States, Europe, and Japan, respectively. Therefore, with the promotion of tiered diagnosis and treatment, increased pressure on healthcare cost control, reforms in the payment methods of DRG/DIP, and the development of primary healthcare, the domestic ICL industry is expected to face a historic development opportunity similar to that of the United States in the 1960s to 1990s (In-depth Report on ICL Industry KingMed Diagnostics (603882) – Hua Chuang Securities – P2).

I. Sales of Materials and Semi-Finished Products: According to the Blue Book on the Development of China's In-Vitro-Diagnosis Industry, the IVD industry showed rapid growth due to the impact by the COVID-19 pandemic in 2019 and 2020. According to the 2019 In-Vitro-Diagnosis Industry Development Report and the 2020 In-Vitro-Diagnosis Industry

Development Report, the market size of the IVD industry in 2019 increased by about 10% to 15%, and achieved an increase of more than 40% in 2020. The growth of the industry market has driven the growth of the market size of core raw materials of IVD reagents ranging from RMB6.0 billion to RMB7.0 billion to more than RMB10.0 billion. It is estimated that the growth rate of raw materials of IVD reagents will exceed 20% in 2021. From the perspective of the overall market of raw materials for IVD reagents, more than 80% of the products are provided by overseas brands, therefore substituting imported brands will be the main trend in the next 3 to 5 years. In the difference adjustment of the raw material enterprises of IVD reagents, more than 50% of the enterprises believed that the growth rate of the industrial market size was 20% to 30%. The growth rate in this calculation is 20%, which is the lowest end of industry research, and is of prudence. Meanwhile, BNIBT achieved revenue of RMB1.20 million from January 2023 to July 2023, with a simple annualisation of approximately RMB2.00 million. The annual forecast is RMB2.03 million, which is not substantially different from the annualised amount and achievable.

J. LDT Project: The origin of the LDT project is based on liver cancer diagnosis technology in October 2022, BNIBT and Beijing Zheyuan Technology Co., Ltd. (北京哲源科技有限責任公司), an incubation enterprise of the Computer Institute of Chinese Academy of Sciences, jointly developed a tumour companion diagnosis project and signed a strategic cooperation agreement. In 2022, China has issued an expert consensus on liver cancer diagnosis. The products of BNIBT can sample patients with Stage II and Stage III liver cancer and then analyse whether they meet the diagnosis and treatment strategies of the expert consensus on liver cancer diagnosis. The Zhuzhou People's Hospital in Hunan Province has started such business sales in June 2023. According to the statistics of the Chinese Expert Consensus on Hepatic Artery Perfusion Chemotherapy for Hepatocellular Carcinoma (2021 Edition), the number of liver cancer cases per year in China is about 370,000, among which, hepatocellular carcinoma accounts for 85%. The applicable population of HAIC is mainly (1) patients with Stage IIb, Stage IIIa, and Stage IIIb of China's liver cancer staging system (CNLC); (2) patients with inability to conduct surgery for various reasons. According to the statistics report of Analysis of the Annual Expenditure Per Liver Cancer Patient in China: from the Perspective of the Whole Disease Course issued by the National Cancer Centre, such population (Stage III and Stage IV patients accounted for 44.7% and 17.9%, respectively) accounted for approximately 62.6%. As a result, the target population of FOLFOX treatment solution market is approximately 200,600 (37 × 85% × 62.6% = 20.06). According to the analysis report of Frost & Sullivan, as domestic molecular diagnostic market started to develop a relatively late stage, the size of the tumour molecular diagnostic market is relatively small compared to the potential market, and the penetration rate of molecular diagnosis and testing in the potential market was approximately 1.5% in 2021, and therefore the testing volume of the project per year is expected to be about 2,953 cases (37 × 85% × 62.6% × 1.5% = 2,953). According to the analysis report of Frost & Sullivan, the compound growth rate of the PCR-based testing market is 19.1% from 2021 to 2026. The growth rate adopted in this forecast is lower than that of the analysis report of Frost & Sullivan, and is of prudence.

Gross profit margin:

Please refer to the above section for the logic and analysis of revenue forecast. With respect to cost, the current direct material cost was calculated using the variable cost rate. The variable cost rates during historical period were 71.3%, 76.9%, 68.8% and 49%, with 67% on average. With reference to the financial statements as of July 2023, the current variable cost rate is 68.7%. The forecast is justifiable by choosing 67% as its calculation. At the same time, according to the research reports of securities firms and industry research, the consolidated gross profit within the industry is expected to be more than 69% in the future. The consolidated gross profit in the forecast period was lower than the estimated level in the industry, which is prudent and reasonable. Prior to the consolidation of Beifang Lambo (北方藍博), the consolidated gross profit of the enterprise was 42% for 2020, 43% for 2021, and 46.3% for the forecast period from 2024 to 2028 on average, which is not significantly different from the historical period, and at the same time, by comparing the gross profit of 48.6% for KingMed Diagnostics (excluding COVID-19) and the estimated gross profit of 70% for Snibe in the next three years, the gross profit in the forecast is lower than the industry, and is prudent and reasonable. In terms of labour costs, under the management ideas of post-pandemic cost reduction and efficiency enhancement and adjustment of business development, redundant personnel were reduced. As of the end of July 2023, BNIBT has completed the layoff, with 85 employees laid off, resulting in a staff streamline rate of 36%. The labour cost was projected based on the cut-down plan, which is reasonable and prudent.

Changes in major expenditures of the transaction target over the forecast period:

1. Reduction in labour costs: the higher number of personnel at the valuation reference date was mainly due to the merger of Beijing Lanbo's personnel in the historical period and the higher requirements of the R&D team for the settlement of tubular luminescence in the historical period. Under the management guidance of post-pandemic cost reduction and efficiency enhancement and adjustment of business development, redundant personnel were reduced. As of the end of July 2023, BNIBT has completed the layoff, with 85 employees laid off, resulting in a staff streamline rate of 36%. The layoff costs, along with the related litigation costs, have been included into the other items of administrative expenses, totaling approximately RMB4.70 million.

2. Decrease in sales service fee: the decrease in the ratio of expenses to sales is mainly due to the significant reduction in sales service fee. Due to the features in the pharmaceutical industry, the sales to part of the regions and hospitals require agency service providers, with sales service fee mainly representing the service fees paid to agency service provider. The sales service fees are incurred due to sales businesses, and the calculation of which is directly checked against revenue. The gradually decreased agency service provider owing to the external environmental changes in recent years, coupled with more stringent and standardized management of BNIBT on agency service providers, has recently rendered the payment of sales service fee only to such agency service providers who have signed the contracts subsequent to

the change of sales service fee policy on 2021. As such, the ratio of services fees has declined in recent years, being 33%, 20%, and 10%, respectively, in the historical period, and further declined to 5% for the period during January 2023 to July 2023. The changes in sales service fee policy have achieved successful results, and in this case, the calculation is made by reference to the most recent ratio of sales service fee of 5% from January to July 2023.

3. Increase in right-of-use assets in projecting administrative expenses: the right-of-use assets are calculated as rental cash outflow as per the details of the lease contracts, and the significant increase in right-of-use assets in projecting administrative expenses after the valuation reference date is mainly due to the rental fee of BNIBT's office area with 8,619.65 square meters in No. 20, Panjiamiao, Fengtai District, Beijing and the property certificate number of which is Jing Fang Quan Zheng Feng Guo Zi No. 01823. In this valuation, based on the market price of nearby office, and after price inquiry, the rental fee was calculated to be approximately RMB2/m^2/day, with annual non-taxable rental of approximately RMB6.29 million, which resulted in an increase in the corresponding rental fee of right-of-use assets, as compared to the historical period, during which BNIBT entered into a rent-free use agreement with China Isotope & Radiation Corporation.

Capital expenditure plan:

The capital expenditure in the current DCF model is integrated with the management and the current operation of the enterprise, where the enterprise's existing assets shall meet the production demands as projected under this forecast. The enterprise's capital expenditures are mainly for the normal renewal of the existing buildings and structures, machinery equipment, transportation equipment, and electronic equipment, without incremental asset renewal and expenses. The renewal of inventory assets is calculated at the end of the life year for replacement based on the start-up date of the enterprise's assets, by taking into account the corresponding economic useful life for their respective assets.

(b) the growth rate (if any) applied and an explanation for any deviation from historical trend

The explanation for any deviation from historical trend is presented using two factors: the basis of calculation and the growth rate.

The growth rate of revenue is as follows:

No	Major product name	2021	2022	2023	2024	2025	2026	2027	2028
1	EIA – self-production	0.83%	-30.57%	-10.79%	3.00%	3.00%	3.00%	3.00%	3.00%
2	Radioimmunity	7.52%	-47.03%	-16.98%	3.00%	3.00%	3.00%	3.00%	3.00%

No	Major product name	2021	2022	2023	2024	2025	2026	2027	2028
3	Plate luminescence	-21.46%	-41.12%	30.21%	0.00%	0.00%	0.00%	0.00%	0.00%
4	Tubular luminescence			4034.55%	200.00%	20.00%	10.00%	5.00%	3.00%
5	Export-radioimmunity kits	7.68%	7.36%	10.29%	-11.35%	8.90%	8.90%	8.90%	8.90%
6	Commissioned purchase and sales of kits	-16.64%	-26.02%	26.39%	-7.69%	15.00%	10.00%	5.00%	3.00%
7	Scientific research and testing	60.42%	-13.55%	2.09%	15.00%	15.00%	15.00%	15.00%	15.00%
8	Nucleic acid testing			602.76%	-100.00%				
9	General Testing				500.00%	83.33%	45.45%	31.25%	23.81%
10	Sales of Materials and Semi-Finished Products	6.70%	152.48%	599.20%	20.00%	20.00%	20.00%	20.00%	20.00%
11	LDT Project				100.00%	25.00%	15.00%	10.00%	5.00%
12	Other – account management fee	-23.05%	131.03%	-72.29%	0.00%	0.00%	0.00%	0.00%	0.00%
	Total	**-1.27%**	**-30.55%**	**24.83%**	**28.00%**	**22.90%**	**16.91%**	**13.04%**	**11.12%**

1. Please refer to the section headed "Quantitative Information On Key Projected Figures" under "VI. Forecast of Future Income" in this appendix for a detailed explanation of the growth in revenue corresponding to each business line in the forecast period as compared to the historical period and the increase in the difference of the growth rate of revenue as compared with the historical period.

2. With respect to cost, the current direct material cost was calculated using the variable cost rate. The variable cost rates during historical period were 71.3%, 76.9%, 68.8% and 49%, with 67% on average. With reference to the financial statements as of July 2023 of BNIBT, the current variable cost rate is 68.7%. The forecast is justifiable by choosing 67% as its calculation. At the same time, according to the research reports of securities firms and industry research, the consolidated gross profit within the industry is expected to be more than 69% in the future. The consolidated gross profit in the forecast period was lower than the estimated level in the industry, which is prudent and reasonable. Prior to the consolidation of Beifang Lambo (北方藍博), the consolidated gross profit of the enterprise was 42% for 2020, 43% for 2021, and 46.3% for the forecast period from 2024 to 2028 on average, which is not significantly different from the historical period, and at the same time, by comparing the gross profit of 48.6% for KingMed Diagnostics (excluding COVID-19) and the estimated gross profit of 70% for Snibe in the next three years, the gross profit in the forecast is lower than the industry, and

is prudent and reasonable. In terms of labour costs, under the management ideas of post-pandemic cost reduction and efficiency enhancement and adjustment of business direction, redundant personnel were reduced. As of the end of July 2023, BNIBT has completed the layoff, with 85 employees laid off, resulting in a staff streamline rate of 36%. The labour cost was projected based on the cut-down plan, which is reasonable and prudent.

3. Reduction in labour costs: the higher number of personnel at the valuation reference date was mainly due to the merger of Beijing Lanbo's personnel in the historical period and the higher requirements of the R&D team for the settlement of tubular luminescence in the historical period. Under the management guidance of post-pandemic cost reduction and efficiency enhancement and adjustment of business development, redundant personnel were reduced. As of the end of July 2023, BNIBT has completed the layoff, with 85 employees laid off, resulting in a staff streamline rate of 36%. The layoff costs, along with the related litigation costs, have been included into the other items of administrative expenses, totaling approximately RMB4.70 million.

4. Decrease in sales service fee: the decrease in the ratio of expenses to sales is mainly due to the significant reduction in sales service fee. Due to the features in the pharmaceutical industry, the sales to part of the regions and hospitals require agency service providers, with sales service fee mainly representing the service fees paid to agency service provider. The sales service fees are incurred due to sales businesses, and the calculation of which is directly checked against revenue. The gradually decreased agency service provider owing to the external environmental changes in recent years, coupled with more stringent and standardized management from BNIBT on agency service providers, has recently rendered the payment of sales service fee only to such agency service providers who have signed the contracts subsequent to the change of sales service fee policy on 2021. As such, ratio of sales service fee has declined in recent years, being 33%, 20%, and 10%, respectively, in the historical period, and further declined to 5% for the period during January 2023 to July 2023. The changes in sales service fee policy have achieved successful results, and in this case, the calculation is made by reference to the most recent ratio of sales service fee of 5% from January to July 2023.

   With reference to sales fee ratios in the industry: the sales fee ratio of BSBE (2011-2014) is 7.8%, 10.1%, 11.5% and 12.4%, with 10.5% on average; the sales fee ratio of Leadman (2008-2011) is 10.4%, 9.2%, 13.1% and 10.7%, with 10.8% on average; the sales ratio of Autobio (2013-2016) is 16.9%, 14.6%, 15.1% and 17.4%, with 16% on average; the sales ratio of KingMed Diagnostics (2014-2017) is 18.7%, 19%, 18.3% and 17.2%, with 18.2% on average. The average sales ratio for the forecast period in this valuation is 14.6%, which is not significantly different from the pre-IPO sales fee ratio of similar companies in the industry.

At the same time, fourteen departments, including National Health Commission of the PRC and Ministry of Public Security, jointly issued the Notice on the Publication of the Key Points on Correcting the Malpractices in Purchase and Sale of Medicine and Medical Service in 2023 (《關於印發2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》) on May 2023, which called for focusing on rectifying the salient corruption problems in the pharmaceutical industry. The Notice specifies that stringent measures will be taken to crack down on the illegal transfer of benefits under the disguise of "donations", academic activities, organisation or participation of conferences and other forms, and other problems. It is expected that sales fees will be on a downward trend in the future.

5. Increase in right-of-use assets in projecting administrative expenses: the right-of-use assets are calculated as rental cash outflow as per the details of the lease contracts, and the significant increase in right-of-use assets in projecting administrative expenses after the valuation reference date is mainly due to the rental fee of BNIBT's office area with 8,619.65 square meters in No. 20, Panjiamiao, Fengtai District, Beijing, and the property certificate number of which is Jing Fang Quan Zheng Feng Guo Zi No. 01823, and the entering into of a rent-free use agreement with China Isotope & Radiation Corporation in the historical period. In this valuation, based on the market price of nearby office and after price inquiry, the rental fee was calculated to be approximately RMB2/m^2/day, with annual non-taxable rental of approximately RMB6.29 million, which resulted in an increase in the corresponding rental fee of right-of-use assets, as compared to the historical period, during which BNIBT entered into a rent-free use agreement with China Isotope & Radiation Corporation.

(c) A narrative of the DCF model (discounted cash flow) to arrive at the value of operating assets of RMB78,636,100 based on, among others, the forecast of the discount rate, future income and the income life.

Discount rate:

1. Discount rate model

The weighted average cost of capital (WACC) pricing model was used for the valuation, the specific formula is as follows:

$$R(WACC)=Re \times We+ Rd\times (1-T) \times Wd$$

Of which:

Re: Cost of equity capital; Rd: Cost of interest-bearing liabilities; We: Equity capital structure ratio; Wd: Capital structure ratio of interest-bearing debts; and T: Applicable income tax rate. Of which the cost of equity capital Re was calculated using the Capital Asset Pricing Model (CAPM). The calculation is as follows:

$Re = Rf + \beta \times MRP + Rc$

Rf: Risk-free rate of return

MRP(Rm-Rf): Average market risk premium

Rm: market expected rate of return

β: Expected market risk coefficient

Rc: Enterprise-specific risk adjustment coefficient

2. Selection process of each parameter

(1) Determination of risk-free rate of return

Risk-free rate of return refers to the lowest rate of return that investors should obtain under the current market conditions. Treasury bonds are usually a relatively safe investment, so its yield can be regarded as the safest and the lowest yield in the investment plan, i.e., the safety yield. In the valuation, the average yield to maturity of treasury bonds with a remaining maturity of more than 10 years as at the valuation reference date of 3.24% was selected as the risk-free rate of return through enquiry with the WIND financial terminal.

(2) Determination of average market risk premium

The Market Risk Premium is the investors' expected return in excess of the risk-free rate of return for investing in the stock market, which is the difference between the expected rate of return and the risk-free rate. The Market Risk Premium was calculated and determined to be 6.81%.

(3) Determination of risk coefficient of β

β is considered to be an indicator to evaluate the relative risk of a company. Upon enquiry with the WIND financial terminal, on the basis of comprehensive consideration of the comparability of the comparable listed companies and the appraised company in terms of business type, enterprise scale, profitability, growth, industry competitiveness, enterprise development stage and other aspects, the β coefficient with financial leverage of the appropriate comparable listed companies at the valuation reference date for the appropriate maturity period and the ratio of interest-bearing debt to equity capital were selected to be converted into the β coefficient without financial leverage, and take its arithmetic mean, i.e. 0.78.

No.	Stock code	Stock short name	Beta	Year-end tax rate	Interest-bearing debts/equity value	Unlevered beta coefficient
1	002022.SZ	Kehua Bio-engineering	0.79	15.00	12.96	0.71
2	300463.SZ	Maccura Biotechnology	0.87	15.00	6.21	0.83
3	300639.SZ	Hybribio	0.81	15.00	1.84	0.80
			0.82	15.00	7.00	0.78

On the basis of analyzing the differences between the appraised entity and the comparable companies in terms of financing ability and financing cost, and taking into account the financing of the appraised entity in the future years, the average capital structure of the comparable companies is adopted as the target capital structure. In determining the capital structure, taking into account the matching of expected return on debt and the consistency applied in the calculation model; the risk coefficient of β is 0.82.

No.	Item	Coefficient
1	Unlevered risk coefficient	0.78
2	Income taxes	15%
3	Interest-bearing debts/equity value	7%
4	Leverage risk coefficient	0.82

(4) Determination of company-specific risks

Company-specific risks represent the impact on the expected income of the company due to possible uncertainties during the operation of such company, such as changes in market demand, changes in supply conditions of production factors, competition among peers, monetary circulation, and turnover of capital.

As the appraised entity is a non-listed company and the comparable companies selected for the valuation parameters are listed companies, a specific risk coefficient adjustment is required. After comprehensive consideration of the risk characteristics, enterprise scale, business model, operation stage, core competitiveness, and reliance on major customers and suppliers of the appraised entity, the specific risk coefficient of the appraised entity was determined to be 3% after comprehensive analysis.

(5) Determination of discount rate of cost of equity capital

A discount rate, i.e., 11.85% was determined after substituting the selected risk-free rate of return and risk-return rate in the formula of discount rate estimation.

$$Re = Rf + \beta \times MRP + Rc$$
$$= 11.85\%$$

(6) Determination of discount rate of weighted average cost of capital

Based on the principles and methods for determining the above capital structure, Wd, We, Rd were determined as follows:

Wd: The capital structure ratio of interest-bearing debts was 6.55%;

We: The equity capital structure ratio was 93.45%;

Rd: After taking into account factors such as the operating performance, capital structure, credit risk, collateral and guarantee of the appraised entity, Rd was adjusted based on the loan prime rate (LPR) promulgated by the National Interbank Funding Centre and determined to be 4.30% in this valuation;

$$R = Re \times We + Rd \times (1-T) \times Wd$$
$$= 11.31\%$$

The discount rate R (WACC) was 11.31%.

Forecast of future income:

Please refer to the section headed "Quantitative Information on Key Projected Figures" under "VI. Forecast of Future Income" in this Appendix.

Income life:

Please refer to the section headed "The Length of the Income Life Used in the Financial Projection and Its Basis" under "V. Determination of Income Life" in this Appendix.

Description of the DCF model:

The discounted free cash flow model of the enterprise in the discounted cash flow method was selected for this valuation. The basic calculation model of the discounted cash flow method is as follows:

Value of total shareholders' equity = overall enterprise value – value of interest-bearing liabilities

Overall enterprise value = value of operating assets of the valuation subject + value of long-term equity investment of the valuation subject + value of surplus or non-operating assets (liabilities) of the valuation subject

Calculation model of the value of operating assets:

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_{i+1}}{r(1+r)^n}$$

Of which:

R_i: The cash flow of the valuation subject in the future year i;

r: Discount rate;

n: The future operating period of the valuation subject.

Overall enterprise value= value of operating assets + value of non-operating assets + value of long-term equity investment - value of non-operating liabilities

Value of total shareholders' equity = overall enterprise value – value of interest-bearing liabilities

Value of operating assets:

Calculation model of the value of operating assets:

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_{i+1}}{r(1+r)^n}$$

Of which:

R_i: The cash flow of the valuation subject in the future year i;

r: Discount rate;

n: The future operating period of the valuation subject.

Operating assets represent the total present value of operating cash flows. The specific calculation table is as follows:

Unit: RMB0'000

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
I.	**Operating income**	5,560.37	8,450.98	10,385.85	12,142.05	13,725.09	15,250.92	15,250.92
	Less: operating costs	3,724.23	5,152.79	5,841.09	6,439.60	6,995.36	7,493.34	7,493.34
	Tax and surcharges	36.88	56.64	62.91	68.37	73.04	77.52	77.52
	Selling expenses	917.47	1,322.01	1,619.38	1,746.93	1,868.56	1,988.11	1,988.11
	Administrative expenses	1,905.81	1,859.86	1,909.35	1,958.85	2,008.03	2,057.34	2,057.34
	Research and development expenses	728.45	1,044.76	1,122.46	1,185.53	1,245.51	1,304.70	1,304.70
	Finance costs							
II.	**Operating profit**	**-1,752.47**	**-985.09**	**-169.34**	**742.79**	**1,534.60**	**2,329.91**	**2,329.91**
	Add: Non-operating income							
	Less: Non-operating expenses							
III.	**Total profit**	**-1,752.47**	**-985.09**	**-169.34**	**742.79**	**1,534.60**	**2,329.91**	**2,329.91**
	Income tax rate	15%	15%	15%	15%	15%	15%	15%
	Less: Income tax expenses	–	–	–	–	–	–	–
IV.	**Net profit**	**-1,752.47**	**-985.09**	**-169.34**	**742.79**	**1,534.60**	**2,329.91**	**2,329.91**
	+ Depreciation	536.40	685.53	712.56	676.97	673.53	662.40	662.40
	+ Amortisation of intangible assets	148.05	193.06	161.02	144.48	109.92	41.18	41.18
	- Additional capital expenditure	852.25	309.39	75.13	99.91	179.34	378.65	703.58
	- Net increase in working capital	1,350.28	1,716.34	1,380.53	1,132.82	907.02	798.77	
	+ After-tax interest							
V.	**Net cash flows**	-3,270.57	-2,132.23	-751.42	331.51	1,231.68	1,856.07	2,329.91
VI.	Discount period	0.38	1.25	2.25	3.25	4.25	5.25	
VII.	Discount rate	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%

No.	Item	April to December 2023	2024	2025	2026	2027	2028	Perpetual period
		Forecast Year						
VIII.	Discount factor	0.96	0.87	0.79	0.71	0.63	0.57	5.04
IX.	Net present value	-3,141.76	-1,864.95	-590.44	234.02	781.14	1,057.53	11,388.07
X.	Value of operating assets	7,863.61						

Determination of non-operating assets and non-operating liabilities:

Non-operating assets and liabilities are mainly non-recurring, irrelevant to or incidental to the main business. This selection is based on the amount related to nucleic acid testing in trade receivables and other current assets, deferred income tax assets, other payables and dividends payable.

Value of long-term equity investments of the valuation target:

The income approach is adopted to determine the value of total shareholders' equity, and then multiplied by the shareholding ratio to determine the value of long-term equity investments.

No.	Name of investee	Shareholding ratio %	Appraised value of the investee	Appraised value of long-term equity investments
1	Wuhan China Nuclear Zhongtong Lanbo Medical Laboratory Co., Ltd. (武漢中核中同藍博醫學檢驗實驗室有限公司)	100.00%	6,480.18	6,480.18
2	China Nuclear Zhongtong Lanbo (Chengdu) Medical Laboratory Co., Ltd. (中核中同藍博(成都)醫學檢驗有限公司)	100.00%	7,491.60	7,491.60
3	China Nuclear Zhongtong Lanbo (Hefei) Medical Laboratory Co., Ltd. (合肥中核中同藍博醫學檢驗實驗室有限公司)	100.00%	2,424.85	2,424.85

No.	Name of investee	Shareholding ratio %	Appraised value of the investee	Appraised value of long-term equity investments
4	Shanghai Eugene Biotech Co., Ltd. (上海優晶生物科技有限公司)	70.00%	1,222.53	855.77
	Total		**17,619.16**	**17,252.40**

Interest-bearing liabilities: In this valuation, the interest-bearing liabilities were short-term borrowings of RMB9.0125 million.

Overall enterprise value = value of operating assets + value of non-operating assets + value of long-term equity investment – value of non-operating liabilities

= 78,636,100+89,337,900+172,524,000-71,369,700
= 269,128,300

Value of total shareholders' equity = overall enterprise value – value of interest-bearing liabilities

= 269,128,300-9,012,500
= 260,115,800

VII. DETERMINATION OF APPRAISED VALUE OF LONG-TERM EQUITY INVESTMENTS

The appraised value of long-term equity investments is determined based on the income approach. Please refer to the guidance letter HKEX-GL116-23 for the disclosure requirements of the income approach (key, specific assumptions, key inputs to the financial forecast, a description of how the key inputs are applied in the discounted cash flow model of DCF in the financial forecast to determine the benchmark value, and, if applicable, sensitivity analysis).

Shanghai Eugene Biotech Co., Ltd. (上海優晶生物科技有限公司):

Income: The income of Shanghai Eugene Biotech Co., Ltd. is mainly from the sales of colloidal gold in vitro detection reagent, which is mainly based on the commissioned purchase and sales model according to customers' orders. The calculation is based on the account of orders as of June 2023 and the actual operating data as of July 2023. According to the interview with the management, the customers and the business volume of Shanghai Eugene are relatively stable. As of June 2023, the account of orders was approximately RMB5.87 million, representing an annualised amount of approximately RMB11.7 million. As of July 2023, the income was RMB6.15 million, representing an annualised amount of approximately RMB10.6 million. Based on the income approach, the income of Shanghai Eugene Biotech Co., Ltd. is expected to be RMB11 million, with no significant difference with the actual operating data of the enterprise, which is therefore achievable and reasonable. According to the global consulting firm's report "Evaluate MedTech World Preview 2018, Outlook to 2024", IVD is the largest field in the world currently, with a CAGR of 6.1% from 2017 to 2024, and taking into consideration of the post epidemic era and the intensification of the competition in the trade, the predicted growth rate of 3% in the future is reasonable and prudent. During the historical years, Shanghai Eugene Biotech Co., Ltd. recorded income from CE certification and technical consulting services business. The reason for not making forecast about these businesses is that, according to the interview with the management, CE certification and technical consulting services business are occasional businesses during the epidemic for cooperating with the customer sales, and such businesses will no longer occur in the future. Therefore, no forecast is made for such businesses. Based on the operation of January 2023 to July 2023, these businesses did not occur.

Unit: RMB

	Historical Year					Forecast Period				
Name of key products	**2020**	**2021**	**2022**	**January to March 2023**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Colloidal gold in vitro detection reagent – COVID-19 type	10,000,000.00	7,000,000.00	6,000,000.00	43,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Colloidal gold in vitro detection reagent -other type	2,087,266.88	7,842,345.32	9,212,697.24	3,417,252.91	7,582,700.00	11,330,000.00	11,669,900.00	12,020,000.00	12,380,600.00	12,752,000.00
CE certification and technical consultancy services	0.00	814,869.81	1,901,415.04	1,415.09	0.00	0.00	0.00	0.00	0.00	0.00
Total	**12,087,266.88**	**15,657,215.13**	**17,114,112.28**	**3,461,668.00**	**7,582,700.00**	**11,330,000.00**	**11,669,900.00**	**12,020,000.00**	**12,380,600.00**	**12,752,000.00**

Gross profit margin: According to the operating characteristics of Shanghai Eugene, the variable costs in the costs are mainly for raw material costs. The raw material costs have been differentiated into the COVID type and the other types, of which the variable gross profit margins of the other types in the historical period were: 2020-61.3%, 2021-59.9%, 2022-61.1%, and 2023-61.2%. As the procurement channels are relatively stable, the gross profit margins in the historical period were stable and did not have a large fluctuation. The average gross profit margin of 60.8% for the historical period was selected for this calculation, which is reasonable and prudent.

Operating assets represent the total present value of operating cash flows. The specific calculation table is as follows:

Unit: RMB

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
I.	**Operating income**	758.27	1,133.00	1,166.99	1,202.00	1,238.06	1,275.20	1,275.20
	Less: operating costs	464.06	662.16	677.31	697.29	717.07	737.89	737.89
	Tax and surcharges	0.93	2.08	2.14	2.20	2.27	2.34	2.34
	Selling expenses	85.56	139.44	143.24	147.16	151.19	155.38	155.38
	Administrative expenses	101.23	146.23	150.58	155.04	159.63	164.37	164.37
	Research and development expenses	58.16	77.85	80.21	82.57	84.87	87.31	87.31
II.	**Operating profit**	**48.32**	**105.24**	**113.52**	**117.74**	**123.03**	**127.91**	**127.91**
III.	**Total profit**	**48.32**	**105.24**	**113.52**	**117.74**	**123.03**	**127.91**	**127.91**
	Income tax rate	20%	20%	20%	20%	20%	20%	20%
	Less: Income tax expenses	–	–	–	–	–	–	–
IV.	**Net profit**	**48.32**	**105.24**	**113.52**	**117.74**	**123.03**	**127.91**	**127.91**
	+ Depreciation	7.06	9.73	10.13	10.06	9.01	8.46	8.46
	+ Amortisation of intangible assets	10.44	4.64	–	–	–	–	–
	– Additional capital expenditure	1.31	3.10	4.60	7.62	4.90	4.24	8.46
	– Net increase in working capital	110.58	49.62	2.68	1.62	1.88	1.82	
V.	**Net cash flows**	-46.06	66.90	116.37	118.56	125.26	130.31	127.91
VI.	Discount period	0.38	1.25	2.25	3.25	4.25	5.25	
VII.	Discount rate	11.28%	11.28%	11.28%	11.28%	11.28%	11.28%	11.28%
VIII.	Discount factor	0.96	0.87	0.79	0.71	0.63	0.57	5.06
IX.	Net present value	-44.25	58.54	91.49	83.77	79.53	74.35	647.00
X.	Value of operating assets	990.43						
XI.	Value of surplus assets	275.58						

		Forecast Year						
No.	Item	April to December 2023	2024	2025	2026	2027	2028	Perpetual period
XII.	Value of non-operating assets and liabilities	-43.48						
XIII.	Value of long-term investment equity							
XIV.	Value of interest-bearing liabilities							
XV.	Value of total shareholders' equity	1,222.53						

China Nuclear Zhongtong Lanbo (Chengdu) Medical Laboratory Co., Ltd. (中核中同藍博(成都)醫學檢驗有限公司)

Income and growth rate:

Nucleic acid testing will cease to be the source of main business income of the Chengdu Lanbo in future years, and the main source of income will come from general testing and reagents, commissioned purchase and sales of instruments and equipment. In terms of general testing, according to the enterprises' conservative forecast of 80% of RMB20 million, i.e. the target from the higher units, subsequent growth will gradually decline from 20% to 5% in 2023. According to management interviews, the future expansion of new business can rely on the parent company's industry experience and resources accumulated over the years, thus such expansion is realizable to a certain degree. In respect of the commissioned purchase and sales, the enterprise has provided a list of intended customers, with an expected transaction amount of approximately RMB13 million, which is a conservative forecast based on 60% of the enterprise's provisional estimate, of which the subsequent growth rate is consistent with that of the general testing business, with the growth rate gradually decreasing from 20% to 5%.

Unit: RMB

		Historical Year				Forecast period					
Name of key products	**Unit**	**2020**	**2021**	**2022**	**January to March 2023**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Nucleic acid testing	Sales revenue (RMB)	24,912,634.50	41,365,641.82	98,309,396.92	199,856.55						
General testing	Sales revenue (RMB)	3,430,720.27	5,031,384.24	5,739,047.78	978,040.94	14,022,000.00	18,750,051.18	22,500,061.41	25,875,070.62	28,462,577.68	29,885,706.57
Commissioned purchase and sales	Sales revenue (RMB)					7,500,000.00	9,375,000.00	11,250,000.00	12,937,500.00	14,231,250.00	14,942,812.50
Total		**28,343,354.77**	**46,397,026.06**	**104,048,444.70**	**1,177,897.49**	**21,522,000.00**	**28,125,051.18**	**33,750,061.41**	**38,812,570.62**	**42,693,827.68**	**44,828,519.07**

Cost and gross profit margin:

The forecast of raw materials is based on the statistics of the proportion of raw materials cost to the cost from January to May 2023 provided by the enterprise. According to the statistics provided by the financial personnel of the enterprise, the total cost of raw materials and delivery expenses from January to May amounted to approximately RMB780,000, and the raw materials amounted to approximately RMB680,000, accounting for 31.97% of the total cost. According to the actual situation of the enterprise, the proportion of revenue generated from nucleic acid test in the testing revenue from January to May is relatively low, mainly from general testing. Therefore, it is reasonable to adopt the revenue proportion of 31.97% in the forecast of raw materials in the historical period. In respect of the commissioned purchase and sales business, based on the interviews with the management, the gross profit margin of commissioned purchase and sales business was approximately 20%. At the same time, based on the existing commission purchase and sales business of reagents and equipment of Wuhan China Nuclear Zhongtong Lanbo Medical Laboratory Co., Ltd.in the historical period, the gross profit margin was approximately 20%-30%. The gross profit margin of commissioned purchase and sales business is estimated to be 20%, which is reasonable and prudent. After calculation, the overall gross profit margin in the forecast period is between 30%-40%, which is lower than the overall level of the industry and is reasonable.

Operating assets represent the total present value of operating cash flows. The specific calculation table is as follows:

Unit: RMB0'000

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
I.	**Operating income**	2,152.20	2,812.51	3,375.01	3,881.26	4,269.38	4,482.85	4,482.85
	Less: operating costs	1,521.56	1,970.76	2,239.98	2,468.68	2,663.14	2,772.72	2,772.72
	gross profit margin	24%	30%	34%	36%	38%	38%	38%
	Tax and surcharges	21.03	22.73	23.27	23.76	24.14	24.35	24.35
	Selling expenses	393.66	528.62	544.43	560.52	577.03	593.88	593.88
	Administrative expenses	160.88	208.33	228.21	234.49	241.26	247.39	247.39
	Research and development expenses	148.30	203.66	209.77	216.07	222.55	229.22	229.22
	Finance costs							

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
	Impairment losses on assets							
	Credit impairment losses							
II.	**Operating profit**	**-93.23**	**-121.60**	**129.34**	**377.73**	**541.27**	**615.30**	**615.30**
	Add: Non-operating income	–						
	Less: Non-operating expenses							
III.	**Total profit**	**-93.23**	**-121.60**	**129.34**	**377.73**	**541.27**	**615.30**	**615.30**
	Income tax rate	15%	15%	15%	15%	15%	15%	15%
	Less: Income tax expenses	–	–	–	–	47.81	57.91	57.91
IV.	**Net profit**	**-93.23**	**-121.60**	**129.34**	**377.73**	**493.46**	**557.39**	**557.39**
	+ Depreciation	126.63	161.27	149.62	121.63	116.48	109.80	109.80
	+ Amortisation of intangible assets	2.17	1.68	–	–	–	–	–
	– Additional capital expenditure	–	–	12.02	2.52	173.34	44.82	109.80
	– Net increase in working capital	-406.37	159.12	162.08	148.84	114.03	62.34	
	+ Interest after tax							
V.	**Net cash flows**	441.94	-117.76	104.85	348.00	322.56	560.03	557.39
VI.	Discount period	0.38	1.25	2.25	3.25	4.25	5.25	
VII.	Discount rate	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%
VIII.	Discount factor	0.96	0.87	0.79	0.71	0.63	0.57	5.04
IX.	Net present value	424.54	-103.00	82.39	245.67	204.57	319.09	2,807.95
X.	Value of operating assets	3,981.21						
XI.	Value of surplus assets	3,614.55						
	Value of non-operating assets and liabilities	-104.15						

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
XII.	Value of long-term investment equity							
XIII.	Value of interest-bearing liabilities							
XIV.	Value of total shareholders' equity	7,491.60						

China Nuclear Zhongtong Lanbo (Hefei) Medical Laboratory Co., Ltd. (合肥中核中同藍博醫學檢驗實驗室有限公司)

Revenue and growth rate:

The business operation model of the general testing of China Nuclear Zhongtong Lanbo (Hefei) Medical Laboratory Co., Ltd. is a third-party independent medical testing laboratory. Major cooperative customers include hospitals and medical examination centers. The forecast period for general testing is based on the provisional estimated amount of potential customers provided by the enterprise. The forecast for the subsequent years is based on the growth rate forecasted in the business plan provided by the enterprise, and the growth rate in the following years gradually decreased from 50% to 20% in the forecast period. In this valuation, it made a prudent forecast based on approximately 80% of the forecast data in the business plan in 2023, and the conservative forecast for the growth rate in the following years gradually decreased from 50% to 10%.

Unit: RMB

		Historical Year				Forecast period					
Name of key products	**Unit**	**2020**	**2021**	**2022**	**January to March 2023**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**
General testing	Yuan	–	656,621.69	2,962,854.96	992,039.37	4,500,000.00	10,000,000.00	15,000,000.00	19,500,000.00	23,400,000.00	25,740,000.00
Nucleic acid testing	Yuan	–	10,435,476.45	39,018,012.22	88,726.80						
Total		**–**	**11,092,098.14**	**41,980,867.18**	**1,080,766.17**	**4,500,000.00**	**10,000,000.00**	**15,000,000.00**	**19,500,000.00**	**23,400,000.00**	**25,740,000.00**

Cost and Gross profit margin:

The raw material cost accounts for a major part of the total cost. Since the proportion of nucleic acid testing business to the business of the appraised entity for the period from January to March 2023 was small (less than 10%), and the main revenue derived from the general testing business, therefore, in the course of this appraisal, the forecast period makes reference to the proportion of the general testing business while determining the proportion of raw materials from January to March 2023, and other items of the cost are as follows:

(i) Office expenses and LIS system port fees and maintenance fees are based on the level of fees provided by the enterprise. After communication with the enterprise, office expenses will be lower than the level of 2022 due to the reduction in the number of personnel. Based on the experience of the enterprise, forecast is made based on a fixed amount of RMB10,000, the port fees are mainly for the connection to the system for the new cooperative hospitals, with 2-3 ports for each hospital at RMB3,500 each. Considering the enterprise's future plans, this appraisal is based on the consideration of new business in future years involving about 20 ports per year. At the same time, after communicating with the enterprise, it was understood that there was a good relationship with the cooperative parties and the port fees were expected to remain stable at a later stage; (ii) in respect of the labour costs and intermediary service fees, which were generated by the testing business, the difference between 2021 and 2022 was too large to be a significant reference. Meanwhile, after communicating with the enterprise, it was understood that the level of the costs in 2022 could be considered to be at a normal level. Therefore, this appraisal adopts the data in 2022 as the basis for making forecast. As most of the costs are daily expenses arising from the business activities of the enterprise and are not clearly related to revenue, an appropriate growth rate was selected for the purpose of this appraisal. Upon calculation, the overall gross profit margin level for the forecast period is approximately between 20% and 40%, which is lower than the industry level and is reasonable to a certain degree.

Operating assets represent the total present value of operating cash flows. The specific calculation table is as follows:

Unit: RMB0'000

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
I.	**Operating income**	450.00	1,000.00	1,500.00	1,950.00	2,340.00	2,574.00	2,574.00
	Less: operating costs	542.55	879.69	1,097.41	1,274.60	1,429.42	1,528.89	1,528.89
	Tax and surcharges	0.38	0.84	1.26	1.64	1.97	2.16	2.16
	Selling expenses	147.77	192.45	184.84	176.11	179.81	183.97	183.97

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
	Administrative expenses	176.55	228.98	234.56	238.79	243.13	247.84	247.84
	Research and development expenses	111.49	136.11	139.41	142.81	146.30	149.89	149.89
II.	**Operating profit**	**-528.75**	**-438.07**	**-157.49**	**116.07**	**339.37**	**461.25**	**461.25**
	Add: Non-operating income	–						
	Less: Non-operating expenses							
III.	**Total profit**	**-528.75**	**-438.07**	**-157.49**	**116.07**	**339.37**	**461.25**	**461.25**
	Income tax rate	25%	25%	25%	25%	25%	25%	25%
	Less: Income tax expenses	–	–	–	–	48.27	77.84	77.84
IV.	**Net profit**	**-528.75**	**-438.07**	**-157.49**	**116.07**	**291.10**	**383.41**	**383.41**
	+ Depreciation	39.26	54.48	52.53	47.30	29.47	21.51	21.51
	+ Amortisation of intangible assets	9.70	29.10	38.79	38.79	36.39	35.91	35.91
	– Additional capital expenditure	–	–	–	–	34.90	6.46	57.42
	– Net increase in working capital	-1,152.61	159.51	160.10	146.75	129.41	77.16	–
	+ Interest after tax							
V.	**Net cash flows**	672.82	-514.01	-226.26	55.40	192.65	357.21	383.41
VI.	Discount period	0.38	1.25	2.25	3.25	4.25	5.25	
VII.	Discount rate	11.29%	11.29%	11.29%	11.29%	11.29%	11.29%	11.29%
VIII.	Discount factor	0.96	0.87	0.79	0.71	0.63	0.57	5.05
IX.	Net present value	646.37	-449.67	-177.86	39.13	122.27	203.72	1,936.74
X.	Value of operating assets	2,320.70						
XI.	Value of surplus assets	277.09						
	Value of non-operating assets and liabilities	-172.94						

No.	Item	Forecast Year April to December 2023	2024	2025	2026	2027	2028	Perpetual period
XII.	Value of long-term investment equity	–						
XIII.	Value of interest-bearing liabilities	–						
XIV.	Value of total shareholders' equity	2,424.85						

Wuhan China Nuclear Zhongtong Lanbo Medical Laboratory Co., Ltd. (武漢中核中同藍博醫學檢驗實驗室有限公司)

Revenue and growth rate:

The revenue from nucleic acid testing accounted for a significant proportion of revenue of Wuhan China Nuclear Zhongtong Lanbo Medical Laboratory Co., Ltd. in the historical period, accounting for 90% in 2020 and 75% in 2022. Taking into account the actual conditions of the enterprise and the future development plan, revenue from nucleic acid testing will cease to be the main source of revenue for the forecast period, and the enterprise will focus on the transformation to the general testing and equipment sales business, therefore, the overall level of revenue decreased compared with that of the historical period. In terms of the forecast of general testing services, a conservative forecast is made based on 80% of RMB25 million which is the target set by the parent companies of the enterprise, and the subsequent growth will gradually decline from 10% to 2%. Commissioned purchase and sales business mainly comprises of the commissioned purchase and sales of instruments and equipment and reagents, and the company cooperates with hospitals and medical examination centres, etc in conducting such business. The commissioned purchase and sales of reagents business will be conducted through maintaining long-term and stable cooperation with customers, which are mainly hospitals and medical examination centres. This appraisal is based on a conservative forecast of 80% of RMB7 million, which is the target set by the group. The subsequent growth rate of reagent sales is consistent with that of the general testing business, with the growth rate gradually decreasing from 10% to 2%. The equipment is usually large testing equipment of high value, and it is relatively difficult to compare the expansion of the sales business with that of the reagent sales business, so the growth rate is conservatively predicted to gradually decrease from 5% to 2%.

Unit: RMB

	Historical Year				Forecast period					
Name of key products	**2020**	**2021**	**2022**	**January to March 2023**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Nucleic acid testing	36,712,735.00	27,248,217.00	118,890,596.00	3,490,640.00						
General testing	3,063,819.28	10,326,946.64	13,177,071.98	4,276,920.91	15,723,100.00	22,000,000.00	23,100,000.00	24,255,000.00	24,982,700.00	25,482,400.00
Reagents		10,637,239.66	13,152,236.64	840,442.48	2,521,300.00	3,697,900.00	3,882,800.00	4,076,900.00	4,199,200.00	4,283,200.00
Sales of equipment	707,964.60	3,228,318.58	12,439,823.02		3,638,300.00	3,820,200.00	4,011,200.00	4,131,500.00	4,214,100.00	4,298,400.00
Others			46,986.53							
Total	**40,484,518.88**	**51,440,721.88**	**157,706,714.17**	**8,608,003.39**	**21,882,700.00**	**29,518,100.00**	**30,994,000.00**	**32,463,400.00**	**33,396,000.00**	**34,064,000.00**

Cost and gross profit margin:

The costs are as follows: (i) the office expenses and travel expenses are forecasted according to the level of expenses provided by the enterprise, and the utilities and environmental protection expenses (disposal of obsolete equipment) are relatively stable. The evaluation is based on the level of expenses in 2022. The informatisation expenses are approximately RMB50,000 per year, which mainly include the server leasing expenses, system maintenance expenses and new system interface expenses involved in the inspection of information systems. The single charge of new system interface is approximately RMB3,500. Based on the expected new system interface of the enterprise in the future, the overall informatisation expenses in 2023 are basically stable as compared with that in 2022, therefore, the evaluation is forecasted with reference to the level of expenses in 2022. The cost of sales of reagents and equipment is projected based on the gross profit margin of 20% provided by the enterprise; (ii) the cost incurred in daily operation and not closely related to revenue is conservatively forecasted at a growth rate of 3%. The cost of sales business is relatively closely related to sales revenue. Therefore, in this valuation, the forecast it is not based on the gross profit margin instead of fixed growth rate, which is consistent with the trend of change in sales revenue. After calculation, the overall gross profit margin in the forecast period is around 30%-40%, which is lower than the industry level and is reasonable.

Operating assets represent the total present value of operating cash flows. The specific calculation table is as follows:

Unit: RMB0'000

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
I.	**Operating income**	**2,188.27**	**2,951.81**	**3,099.40**	**3,246.34**	**3,339.60**	**3,406.40**	**3,406.40**
	Less: operating costs	1,559.56	1,927.42	1,825.06	1,883.80	1,937.16	1,974.21	1,974.21
	gross profit margin	0.28	0.35	0.41	0.42	0.42	0.42	0.42
	Tax and surcharges	1.15	1.43	1.50	1.56	1.60	1.63	1.63
	Selling expenses	486.62	657.27	661.23	678.92	696.09	691.32	691.32
	Administrative expenses	207.16	230.13	235.78	226.95	219.66	245.27	245.27
	Research and development expenses	124.96	170.58	175.70	180.97	186.40	191.99	191.99

		Forecast Year						
No.	**Item**	**April to December 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Perpetual period**
II.	**Operating profit**	**-191.18**	**-35.03**	**200.13**	**274.13**	**298.69**	**301.98**	**301.98**
	Add: Non-operating income	–						
	Less: Non-operating expenses							
III.	**Total profit**	**-191.18**	**-35.03**	**200.13**	**274.13**	**298.69**	**301.98**	**301.98**
	Income tax rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15
	Less: Income tax expenses	–	–	3.67	13.97	16.84	16.50	16.50
IV.	**Net profit**	**-191.18**	**-35.03**	**196.47**	**260.16**	**281.85**	**285.48**	**285.48**
	+ Depreciation	85.18	109.78	108.12	86.10	76.41	84.31	–
	+ Amortisation of intangible assets	114.53	92.35	–	–	–	–	–
	– Additional capital expenditure	93.87	–	41.58	28.68	164.08	195.77	–
	– Net increase in working capital	-7,006.46	-21.51	72.78	50.73	30.79	22.22	–
	+ Interest after tax							
V.	**Net cash flows**	6,921.12	188.61	190.23	266.85	163.39	151.79	285.48
VI.	Discount period	0.38	1.25	2.25	3.25	4.25	5.25	
VII.	Discount rate	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%	11.31%
VIII.	Discount factor	0.96	0.87	0.79	0.71	0.63	0.57	5.04
IX.	Net present value	6,648.54	164.96	149.47	188.38	103.62	86.49	1,438.16
X.	Value of operating assets	8,779.62						
XI.	Value of surplus assets	–						
	Value of non-operating assets and liabilities	-2,299.44						
XII.	Value of long-term investment equity	–						
XIII.	Value of interest-bearing liabilities	–						
XIV.	Value of total shareholders' equity	6,480.18						

The following is the full text of a letter from the auditor of the Company, SHINEWING (HK) CPA Limited, for inclusion in this circular. If there is discrepancy between the Chinese and English versions of this letter, the English version shall prevail.

Board of Directors
China Isotope & Radiation Corporation
No.66 Changwa Middle Street,
Haidian District,
Beijing, PRC

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the calculations of the underlying profit forecast (the "**Underlying Forecast**") dated 8 September 2023 prepared by Beijing Zhuoxindahua Appraisal Co., Ltd. (北京卓信大華資產評估有限公司) in respect of the business valuation on Beijing North Institute of Biotechnology Co., Ltd (北京北方生物技術研究所有限公司) (the "**Target Company**") in connection with the proposed disposal of 100% equity interest in the Target Company by China Isotope & Radiation Corporation (the "**Company**"), as set out in the announcement of the Company dated 23 November 2023 (the "**Announcement**"). The business valuation is prepared under the income based approach, which involves the calculations of discounted future estimated cash flows, therefore constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Directors' Responsibilities

The directors of the Company and the Target Company (the "**Directors**") are solely responsible for the preparation of the Underlying Forecast including the bases and assumptions, for the purpose of business valuation of the Target Company based on discounted cash flow method. The Underlying Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**") that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, ("**HKICPA**") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work. The Underlying Forecast does not involve adoption of accounting policies.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. We examined the arithmetical accuracy of the Underlying Forecast. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

We have planned and performed such procedures as we considered necessary to assist the Directors solely in evaluating whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, so far as the calculations are concerned, the Underlying Forecast has been properly compiled, in all material aspects, in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming

Practising Certificate Number: P07068

Hong Kong
23 November 2023

* *For identification purpose only.*

The following is the full text of a letter from the board of Directors on the Profit Forecast, for inclusion in this circular. If there is discrepancy between the Chinese and English versions of this letter, the Chinese version shall prevail.

To: Listing Division of The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sirs:

Company: China Isotope & Radiation Corporation (the "Company")
Related to: Profit Forecast – Confirmation required by Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

Reference is made to the announcement of the Company dated 23 November 2023, in which it is stated that Beijing Zhuoxindahua Appraisal Co., Ltd. (北京卓信大華資產評估有限公司) (the "**Independent Valuer**") has adopted the income approach to conduct a valuation of the entire equity interests in Beijing North Institute of Biotechnology Co., Ltd. (北京北方生物技術研究所有限公司) ("**BNIBT**") as at 31 March 2023 (the "**Valuation**"). Therefore, the Valuation constitutes a profit forecast (the "**Profit Forecast**") pursuant to Rule 14.61 of the Listing Rules.

The board of directors (the "**Board**") of the Company has reviewed the basis and assumptions of the Profit Forecast and has discussed the same with the Independent Valuer. The Board has also considered the letter dated 23 November 2023 from the Company's auditor SHINEWING (HK) CPA Limited, as to whether the Profit Forecast, so far as the calculations are concerned, has been properly prepared in all material respects in accordance with the assumptions used in the Valuation. Based on the above, the Board has confirmed that the Profit Forecast has been made after due and careful enquiry pursuant to Rule 14.62(3) of the Listing Rules.

By order of the Board
China Isotope & Radiation Corporation
Wang Suohui
Chairman

23 November 2023

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

Directors, Supervisors and chief executive of the Company

As at the Latest Practicable Date, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required 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 was required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial Shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, 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 the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register pursuant to section 336 of SFO:

Shareholder	Class of Shares	Nature of interest	Number of Shares held[8]	Approximate percentage of shareholding in the relevant class of Shares (%)	Approximate percentage of shareholding in the total share capital of the Company (%)
CNNC[1]	Domestic Shares	Beneficial owner/ Interest of controlled corporation	236,150,233(L)	98.43(L)	73.83
China Institute of Atomic Energy ("**CIAE**")[1]	Domestic Shares	Beneficial owner	58,534,835(L)	24.40(L)	18.30
Nuclear Power Institute of China ("**NPIC**")[1]	Domestic Shares	Beneficial owner	46,994,835(L)	19.59(L)	14.69
Beijing CNNC Industry Investment Fund (LLP) ("**CNNC Fund**")[1]	Domestic Shares	Beneficial owner	18,779,342(L)	7.83(L)	5.87
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
Shanghai Shangshi (Group) Co., Ltd. ("**Shanghai Shangshi**")[2]	H Shares	Interest of controlled corporation	8,006,000(L)	10.01(L)	2.50
Shanghai Pharmaceuticals Holding Co. Ltd ("**SPH**")[2]	H Shares	Interest of controlled corporation	8,006,000(L)	10.01(L)	2.50

Shareholder	Class of Shares	Nature of interest	Number of Shares held(8)	Approximate percentage of shareholding in the relevant class of Shares (%)	Approximate percentage of shareholding in the total share capital of the Company (%)
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
JPMorgan Chase & Co.	H Shares	Interest of controlled corporation	5,538,362(L)(5)	6.92(L)	1.73
		Interest of controlled corporation	5,452,362(S)(6)	6.81(S)	1.70

Notes:

(1) CNNC directly holds 106,676,903 Domestic Shares of the Company, representing approximately 44.47% of the domestic share capital of the Company. CIAE and NPIC are public institutes controlled and managed by CNNC and hold 58,534,835 Domestic Shares and 46,994,835 Domestic Shares, respectively, representing approximately 24.40% and 19.59% of the domestic share capital of the Company, respectively. CNNC Fund is a non-wholly-owned subsidiary of CNNC and holds 18,779,342 Domestic Shares, representing approximately 7.83% of the domestic share capital of the Company. CNNC 404 Company Limited ("**404 Company**") and China Baoyuan are wholly-owned subsidiaries of CNNC and hold 3,755,868 Domestic Shares and 1,408,450 Domestic Shares, respectively, representing approximately 1.57% and 0.59% of the domestic share capital of the Company, respectively. 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 the 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 holds 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 Shanghai Shangshi, while Shanghai Shangshi directly holds approximately 35.56% equity interest in SPH, which directly holds 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 the 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 JPMorgan Chase Bank, National Association, a direct wholly-owned subsidiary of JPMorgan Chase & Co. and 271,362 H Shares are held by J.P. Morgan Securities PLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, by virtue of the SFO, JPMorgan 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 JPMorgan Chase Bank, National Association, a direct wholly-owned subsidiary of JPMorgan Chase & Co. and 185,362 H Shares are held by J.P. Morgan Securities PLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, by virtue of the SFO, JPMorgan Chase & Co. is deemed to be interested in the H Shares held by its aforementioned subsidiaries.

(7) (L) represents long position and (S) represents short position.

Save as disclosed and so far as was known to the Directors, as at the Latest Practicable Date, no other persons (other than the Directors, Supervisors and chief executive of the Company) had any interest or short position in the Shares or underlying Shares of the Company which was required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

Interests in assets or contracts or arrangements significant to the Group

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any asset which has been, since 31 December 2022 (being the date on which the latest published audited accounts of the Company were prepared), acquired or disposed of by or leased to any member of the Group, or is proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at such date and which is significant in relation to the business of the Group.

Service contracts

As at the Latest Practicable Date, there was no existing or proposed service contract (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)) between any of the Directors or Supervisors and any member of the Group.

Competing interests

As at the Latest Practicable Date, none of the Directors or any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete directly or indirectly with the Group's business.

Directors' positions in substantial Shareholders

As at the Latest Practicable Date, each of the following Directors is the director or employee of the following companies which have interests or short positions in the Shares or underlying shares of the Company, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(i) Mr. Chen Shoulei, a non-executive Director of the Company, is the chief accountant of CIAE;

(ii) Mr. Ding Jianmin, a non-executive Director of the Company, is the chief accountant of NPIC; and

(iii) Ms. Liu Xiuhong, a non-executive Director of the Company, is a specialised director of CNNC.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed Directors of the Company served as directors or employees in companies which have interests or short positions in the Shares or underlying shares of the Company, which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advice for inclusion in this circular:

Name	Qualification
Zhuoxindahua	qualified asset valuer in the PRC
SHINEWING	certified public accountant
Rainbow Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the above experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context as set out in this circular.

As at the Latest Practicable Date, each of the above experts had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts had no direct or indirect interest in any asset which has been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or is proposed to be acquired or disposed of by or leased to any member of the Group.

The summary of and the further information on Valuation Report of BNIBT from Zhuoxindahua are set out on pages I-1 to I-16 and on pages II-1 to II-57 this circular, respectively, the letter from SHINEWING on the Profit Forecast is set out on pages III-1 to III-2 of this circular and the letter from Rainbow Capital is set out on pages 35 to 82 of this circular which are given for incorporation in this circular.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Company since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

6. DOCUMENTS ON DISPLAY

The following documents will be published on the website of the Stock Exchange (https://www.hkexnews.hk) and the website of the Company (https://www.circ.com.cn/) for at least 14 days from the date of this circular:

(i) the Renewed Engineering Construction Services Framework Agreement;

(ii) the Equity Transfer Agreement;

(iii) the letter from Rainbow Capital is set out on pages 35 to 82 of this circular; and

(iv) the written consents of each of the experts referred to in the section headed "4. Experts' Qualifications and Consents" above in this appendix.

CHINA ISOTOPE & RADIATION CORPORATION
中國同輻股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1763)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN by the board (the "**Board**") of directors (the "**Directors**") of China Isotope & Radiation Corporation (the "**Company**") that the first extraordinary meeting of 2023 of the Company (the "**EGM**") will be held at 10:30 a.m. on Friday, 22 December 2023 at Room 305, 3/F, No. 66 Changwa Middle Street, Haidian District, Beijing, China by way of physical meeting to consider and, if thought fit, approve the following resolutions of the Company (unless otherwise specified, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 6 December 2023):

ORDINARY RESOLUTIONS

1. To consider and approve the appointment of ShineWing Certified Public Accountants (Special Partnership) as the Company's domestic auditor for 2023 and its fee shall be 50% of the standard annual final accounts audit fee published by Beijing Municipal Finance Bureau.

2. To consider and approve the Renewed Engineering Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps).

3. To consider and approve the Equity Transfer Agreement and the transactions contemplated thereunder.

4. **To consider and approve the general election of the Board of the Company and the election of the Directors of the fourth session of the Board, as well as the independent non-executive Directors' remuneration.**

   4.1 To elect Mr. Zhang Junqi as an executive Director.

   4.2 To elect Mr. Xu Hongchao as an executive Director.

   4.3 To elect Mr. Chen Shoulei as a non-executive Director.

4.4 To elect Mr. Ding Jianmin as a non-executive Director.

4.5 To elect Ms. Chang Jinyu as a non-executive Director.

4.6 To elect Ms. Liu Xiuhong as a non-executive Director.

4.7 To elect Mr. Poon Chiu Kwok as an independent non-executive Director with remuneration of HK$200,000 (before tax) per annum.

4.8 To elect Mr. Tian Jiahe as an independent non-executive Director with remuneration of RMB200,000 (before tax) per annum.

4.9 To elect Ms. Chen Jingshan as an independent non-executive Director with remuneration of RMB150,000 (before tax) per annum.

4.10 To elect Mr. Lu Chuang as an independent non-executive Director with remuneration of RMB150,000 (before tax) per annum.

5. **To consider and approve the general election of the Board of Supervisors of the Company and the election of the Supervisors of the fourth session of the Board of Supervisors.**

5.1 To elect Mr. Liu Zhonglin as a Supervisor.

5.2 To elect Mr. Zhao Nanfei as a Supervisor.

5.3 To elect Mr. Zhang Guoping as a Supervisor.

By Order of the Board
China Isotope & Radiation Corporation
Wang Suohui
Chairman

Beijing, the PRC, 6 December 2023

As at the date of this announcement, the Board comprises Mr. Wang Suohui, Mr. Xu Hongchao and Mr. Du Jin as executive Directors; Mr. Chen Shoulei, Mr. Ding Jianmin, Ms. Chang Jinyu and Ms. Liu Xiuhong as non-executive Directors; and Mr. Poon Chiu Kwok, Mr. Tian Jiahe, Ms. Chen Jingshan and Mr. Lu Chuang as independent non-executive Directors.

Notes:

1. The register of members of the Company will be closed from Wednesday, 20 December 2023 to Friday, 22 December 2023 (both dates inclusive), during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 22 December 2023 will be entitled to attend and vote at the EGM. In order to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with (in respect of holders of H Shares) the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or, (in respect of holders of Domestic Shares) the Company's head office and principal place of business in the PRC at No. 66 Changwa Middle Street, Haidian District, Beijing, China, for registration no later than 4:30 p.m. on Tuesday, 19 December 2023.

2. Each Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a Shareholder.

3. The instrument appointing a proxy must be in writing by the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

4. To be valid, the proxy form and notarised power of attorney or other authorisation document must be delivered to (in respect of holders of H Shares) the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or (in respect of holders of Domestic Shares) the Company's head office and principal place of business in the PRC at No. 66 Changwa Middle Street, Haidian District, Beijing, China, as soon as possible but in any event no later than 24 hours before the time stipulated for holding the EGM (i.e. before 10:30 a.m. on Thursday, 21 December 2023) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or at any adjourned meeting if you so wish. If a shareholder appoints more than one proxy, such proxies shall only exercise the right to vote by poll.

5. Shareholders or their proxies should produce proof of identity when attending the EGM. If a Shareholder is a legal entity, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the EGM by producing a notarially certified copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the EGM.

6. If any Shares are held by joint holders, any such person may vote in person or by proxy at the EGM or at any adjourned meeting thereof, in respect of such Shares as if he/she was solely entitled thereto; whereas when two or more joint holders attend the EGM in person or by proxy(ies), only the person whose name appears first in the register of members in respect of such Shares shall alone be entitled to vote in respect thereof.

7. The EGM is expected to last for no more than half a day. Shareholders (or their proxies) attending the EGM in person are responsible for their own transportation and accommodation expenses.

8. Contact information of the Company

   Address: No. 66 Changwa Middle Street, Haidian District, Beijing, China
   (For the attention of the Joint Company Secretary)
   Tel: +86 10 68511807
   Fax: +86 10 68512374
   Email: ir@circ.com.cn

9. References to dates and times in this notice are to Hong Kong dates and times.