



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)

Terms of Reference of the Audit and Risk Management Committee under the Board of Directors of China Isotope & Radiation Corporation

Chapter I General

- Article 1** In order to establish and regulate the audit systems and procedures of China Isotope & Radiation Corporation (hereinafter referred to as the “**Company**”), strengthen the decision-making function of the Board of Directors (hereinafter referred to as the “**Board**”), ensure the Board’s effective supervision of the management and improve the corporate governance structure, the Company sets up the Audit and Risk Management Committee (hereinafter referred to as the “**Committee**”) under the Board of China Isotope & Radiation Corporation and hereby formulates these detailed terms of reference (hereinafter referred to as these “**Terms**”) in accordance with the Company Law of the People’s Republic of China, Standards on Corporate Governance of Listed Companies, Guidelines No. 1 on the Application of Self-Regulation Rules for Listed Companies on Shanghai Stock Exchange STAR Market – Regulated Operation (hereinafter referred to as the “**Regulated Operation Guidelines**”), Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (hereinafter referred to as the “**STAR Market Listing Rules**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”), the Articles of Association of China Isotope & Radiation Corporation (hereinafter referred to as the “**Articles**”), the Procedural Rules of the Board Meetings of China Isotope & Radiation Corporation and other relevant laws, regulations and regulatory documents.
- Article 2** The Committee is a specialized work organ under the Board. It is mainly responsible for the communication between internal and external auditors, the supervision and inspection of their works as well as the risk management of the Company. The Audit and Risk Management Committee shall be accountable to the Board and report to the Board.
- Article 3** These Terms shall apply to the Committee and relevant personnel and departments involved in these Terms.

Chapter II Committee Composition and Executive Body

- Article 4** The Committee shall consist of no less than three directors. All Committee members shall be non-executive directors, and the majority of which shall be independent non-executive directors. The Committee members shall possess professional knowledge of finance or law as well as business experience necessary for the performance of their responsibilities. At least one of the members shall be an independent non-executive director with appropriate accounting or related financial management expertise, and meet the eligibility requirements of the Standards on Corporate Governance of Listed Companies, Regulated Operation Guidelines, STAR Market Listing Rules and Hong Kong Listing Rules for accounting professionals in the Audit and Risk Management Committee.
- Article 5** Members of the Committee shall be nominated by the chairman of the Board and appointed by the Board upon approval by more than half of the directors.
- Article 6** The Committee shall have one chairperson (i.e. the convener) who shall be an accounting professional among the independent non-executive directors. The chairperson is responsible for the overall management of the Committee's work. The chairperson shall be nominated by the chairman of the Board and his/her appointment shall be considered and approved by the Board.
- Article 7** The term of office of the Committee is the same as that of the Board, the terms of office of the Committee members are the same as that of the directors. Members may be re-elected when their terms of office expire. Where any member no longer serves as director of the Company during his or her term of office, he or she shall be disqualified as a member of the Committee automatically. Before the expiration of their terms of office, members shall not be dismissed without reason unless they are not allowed to serve according to laws and regulations, the Articles or these Terms.
- The Committee members may tender their resignations to the Board before the expiration of their terms of office. The resignation report shall provide necessary explanations on the reasons for resignation and the matters that need to be brought to the attention of the Board of the Company.
- The Committee members may also serve in other special committees under the Board if they are capable of performing their duties.
- Article 8** The Committee members may be changed within their terms of office if proposed by the chairman of the Board and approved after discussion by the Board.
- Article 9** If the number of the Committee members falls below the minimum number as prescribed herein, the Board shall arrange for making up the shortfall in accordance with the provisions in these Terms. The resigning member shall, before the alternate member of the Board takes office, continue to perform related responsibilities.
- Article 10** With the coordination of the office of the Board, the audit department of the Company, acting as the Committee's executive body, provides supports and services to the Committee and undertakes the relevant work assigned by the Committee.

Chapter III Responsibilities of the Committee

Article 11 The Committee, on behalf of the Board, shall conduct independent assessment and supervision of the compliance, legality and efficiency of the Company's operating activities. The major responsibilities of the Committee shall include:

- 11.1 To make recommendations to the Board regarding appointment, re-appointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and handle any issues arising from its resignation or dismissal;
- 11.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature, scope and method of the audit and reporting obligations before the audit commences.

To investigate the independence of the external auditor, the Committee shall complete the following tasks: examine the relations between the Company and the auditor (including non-audit services); obtain materials from the auditor every year to understand the policies and procedures adopted by the auditor for ensuring its independence and monitoring the implementation of relevant rules, including rules for change of partners and executives of the auditor; meet with the external auditor at least once a year without the presence of the Company's management for the purpose of discussing audit fees and related matters, any matters in connection with audit works and other matters raised by the auditor;

- 11.3 To develop and implement the policy on engaging an external auditor to provide non-audit services. For the purpose of this provision, an external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a third party reasonably informed of all relevant information would reasonably conclude to be part of the local or international operation of the audit firm. The Committee should advise the Board on any necessary actions or improvements and make recommendations on steps that can be taken;
- 11.4 To monitor the truthfulness, completeness and accuracy of the financial statements, annual reports and accounts, half-year reports and quarterly reports of the Company, and to review significant financial reporting opinions contained in such statements and reports. Special attention should be paid to the risk of any frauds, malpractices and major mistakes in relation to financial statements and reports. When reviewing the Company's annual reports and accounts, half-year and quarterly reports before submission of the same to the Board, the Committee should focus particularly on the following matters:
 - 11.4.1 Any changes in accounting policies and practices;
 - 11.4.2 Major judgmental areas;

- 11.4.3 Significant adjustments resulting from audit;
 - 11.4.4 The going concern assumption and any qualified opinions;
 - 11.4.5 Compliance with accounting standards;
 - 11.4.6 Compliance with the Hong Kong Listing Rules and other legal requirements in relation to financial reporting.
- 11.5 Regarding Item 11.4 above,
- 11.5.1 The Committee members should liaise with the Board and senior management members of the Company. The Committee must meet at least twice a year with the external auditor of the Company;
 - 11.5.2 The Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts; it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the auditors;
- 11.6 To examine the Company's financial control, internal control and risk management systems;
- 11.7 To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system in place. Considerations should be given to, among others, the adequacy of resources, staff qualifications and experience, training programs of staff and budgets in respect of the Company's accounting and financial reporting function; to supervise the effective implementation of internal control and self-assessment of internal control, coordinate internal control and audit as well as procure the rectification of any internal control defects and other related matters;
- 11.8 To conduct researches on major investigation findings on internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
- 11.9 To be responsible for the communication between internal audit departments and external auditors in order to ensure coordination between the internal and external auditors; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to review and monitor the effectiveness thereof;
- 11.10 To review financial and accounting policies and practices of the Company;
- 11.11 To review the Explanatory Statement of Audit provided by the external auditor to management, any material queries raised by the auditor to management about accounting records, financial accounts or control systems and management's response;

- 11.12 To ensure the Board will provide a timely response to the issues raised in the Explanatory Statement of Audit provided by the external auditor to management;
- 11.13 To review the risk management strategies and solutions for key risk management issues of the Company;
- 11.14 To confirm the list of the Company's connected parties, conduct an overall review of connected transactions and regular review the overall situation of connected transactions, including a review of the decisions and implementation of all connected transactions of the Company within 10 days following the end of each half-year period, and a review of the overall state of all connected transactions of the Company within 30 days following the end of each half-year period and report review comments to the Board and the Board of Supervisors;
- 11.15 To review the following arrangements set by the Company: Employees of the Company may secretly raise concerns about financial reporting, internal control or any other improper conduct that may have occurred. The Committee should ensure that proper arrangements are in place for the Company to conduct a fair and independent investigation of such matters and take appropriate actions;
- 11.16 The Committee should formulate a whistleblower policy and system to allow employees and other contacts (such as customers and suppliers) to secretly raise their concerns about any possible misconduct of the Company to the Committee;
- 11.17 To report the matters mentioned in these Terms to the Board;
- 11.18 To carry out other matters authorized by Board and other matters in connection with related laws and regulations;
- 11.19 Other relevant requirements in relation to the terms of reference of the Committee imposed by the listing rules of the place where the securities of the Company are listed, as revised from time to time.

Article 12 The responsibilities of the chairperson of the Committee shall include:

- 12.1 To convene and preside over meetings of the Committee;
- 12.2 To supervise and examine the work of the Committee and implementation of the Committee resolutions;
- 12.3 To sign relevant documents of the Committee;
- 12.4 To report the work of the Committee to the Board;
- 12.5 Other responsibilities required to perform or delegated by the Board.

- Article 13** Major responsibilities of Committee members shall include:
- 13.1 To attend the Committee meeting on time, express opinions on matters discussed and exercise rights to vote;
 - 13.2 To propose topics to be discussed in the Committee meeting;
 - 13.3 To attend or sit in on relevant meetings of the Company and conduct investigations and researches as well as obtain necessary reports, documents, data and other relevant information to perform responsibilities;
 - 13.4 To fully understand the responsibilities of the Committee and as a Committee member, be familiar with the operation and management, business activities and development of the Company in connection with his/her responsibilities and ensure his/her capacity to perform responsibilities;
 - 13.5 To fully guarantee the work time and effort to perform responsibilities;
 - 13.6 Other responsibilities assigned by these Terms.

Chapter IV Meetings of the Committee

- Article 14** The Committee meeting can be classified as regular meeting and extraordinary meeting.
- Article 15** The Committee shall hold at least two regular meetings every year by issuing a notice to all members three days prior to the meeting.
- Article 16** The Committee may convene extraordinary meetings when necessary. In any of the following circumstances, within three days of the occurrence of the relevant facts, the chairperson of the Committee shall issue a notice to convene a meeting:
- 16.1 in circumstances as deemed necessary by the Board;
 - 16.2 in circumstances as deemed necessary by the chairperson of the Committee;
 - 16.3 when proposed by two or more members of the Committee.

Article 17 The audit department shall be responsible for delivering the notice of meeting by email or other convenient means to each Committee member and relevant person invited to attend the meeting three days prior to the date of the meeting (except in special circumstances where the obligation to make notification in advance may be exempted, provided that the chairperson of the meeting shall provide explanation in the meeting). The notice of meeting shall contain information on the form, time, venue, duration and agenda of the meeting, time of issuance of the notice, name and contact information of the contact person and other relevant information.

The audit, finance and legal departments and the office of the Board shall prepare and furnish the Committee with materials related to the matters to be discussed and liaise with other entities concerned (including relevant experts of the Company, external specialists, scholars and intermediary agencies appointed by the Committee in the course of discussion).

Article 18 Upon receipt of the notice, each Committee member shall provide confirmation and any relevant replies via proper means (including but not limited to confirmation of attendance or absence and his/her schedule) in a timely manner.

Article 19 A meeting of the Committee may only be validly held when attended by more than two-thirds of all members.

The members of the Committee shall attend the meeting in person. If a member is unable to attend the meeting in person, such member shall, by submitting a letter of proxy with signature, authorize another member of the Committee to attend and express opinion at the meeting on his/her behalf. Such letter of proxy shall expressly state the scope and term of the authorization. No member shall accept any such authorization from two or more other members concurrently.

The member attending meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member does not attend a meeting in person or authorize another member to exercise his/her rights on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting, he/she shall be deemed to have waived his/her rights.

A member who is unable to attend a meeting in person may also exercise his/her rights by submitting in writing his/her opinion with respect to any matter on the meeting agenda, provided that such written opinion shall be submitted to the audit department no later than the meeting.

Article 20 If any member does not attend a meeting in person or authorize another member to attend such meeting on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting on two consecutive occasions, or if such member fails to attend in person three-quarters of all meetings of the Committee held during any year, such member shall be deemed incapable of performing the responsibilities of the Committee, and the Board may change the member of the Committee in accordance with these Terms.

Article 21 A meeting shall be presided over by the chairperson of the Committee, who may appoint another member to do so on his/her behalf when he/she is unable to attend the meeting.

Chapter V Discussion Procedures

- Article 22** Each Committee member shall have one vote. Matters or resolutions considered in the meeting require affirmative votes by members representing more than half of the votes. Where no valid resolution is made due to abstention of members, related issues shall be considered by the Board directly.
- Article 23** In general, the Committee shall physically meet on site to hold a meeting. Voting shall be made by show of hands or poll. Under special circumstances, on the premise that the members of the Committee are able to sufficiently express their opinion, with the consent of the chairperson of the Committee, meetings may be held by means of remote communication. Where a meeting is conducted by means of remote communication, the Committee members shall submit to the Board their written opinion with respect to the matters to be discussed within the period prescribed by the notice of the meeting.
- Article 24** Items on the agenda shall be discussed during the meeting of the Committee. The members of the Committee shall explicitly, independently and fully express their opinion based on their judgment. In the case of disagreement, such disagreement shall be stated in the meeting summary to be presented to the Board.
- Article 25** The Committee may invite directors, senior management members and relevant experts of the Company, external experts, scholars, intermediary agencies and other relevant personnel to attend the meeting. Such personnel invited to attend the meeting shall give explanation and elaboration on issues as requested by Committee members.
- Article 26** The Committee may, being approved by the Board, engage external professionals or institutions to provide professional advice when necessary, and all reasonable expenses incurred shall be borne by the Company.
- Article 27** If a member of the Committee is interested in any matter being considered by the Committee, such member shall abstain from the discussion and decision of such matter.
- Article 28** All personnel attending the meeting shall have the obligation to keep all matters discussed at the meeting confidential and shall not disclose any information relating thereto without authorization.

Chapter VI Minutes and Summary of the Meetings of the Committee

- Article 29** Minutes shall be prepared for the meetings of the Committee. The minutes shall be prepared by the audit department, which shall include the following information:
- 29.1 Serial number, form, date, venue, and name of the chairperson, of the meeting;
 - 29.2 The attendance and absence of members personally or by proxy;
 - 29.3 Name and title of each attendee;
 - 29.4 Matters considered at the meeting;

- 29.5 Main points made by the Committee members or other relevant attendees;
- 29.6 The voting method and results of each matter or resolution considered (the voting results should include the number of votes in favor, against or abstained);
- 29.7 Name of the person taking minutes.

Members present at the meeting shall have the right to request to keep a descriptive record of their speech, including any doubts raised or objections expressed. After the meeting, the executive body of the Committee shall circulate the draft of the meeting minutes to all members for their comments within a reasonable time.

Members present at the meeting shall sign the final draft of the meeting minutes.

Article 30 After each meeting of the Committee, the audit department shall prepare a meeting summary recording the considerations and discussions during the meeting.

Copies of the meeting summary shall be submitted to the Board and sent to the members of the Committee, the Board secretary, the audit, financial and legal departments of the Company and other relevant departments and personnel.

Article 31 Meeting minutes, meeting summary, letters of proxy, written opinions of the members of the Committee and other materials of the meeting shall be kept by the office of the Board in accordance with relevant file management system for no less than ten years during the Company's existence.

Chapter VII Supplementary Provisions

Article 32 Unless otherwise stated, terms used in these Terms shall have the same meanings ascribed to them in the Articles.

Article 33 For any matter not covered in these Terms, or in the event of any contradiction with any provisions of the laws, administrative regulations, regulatory documents or the Articles as amended under lawful procedures promulgated after these Terms become effective, the provisions of such laws, administrative regulations, regulatory documents and the Articles shall prevail. Amendments to these Terms shall be made forthwith and submitted to Board for consideration and approval.

Article 34 These terms shall become effective and be implemented from the date on which these Terms are approved by the Board.

Article 35 The right of interpretation and amendment of these Terms rests with the Board of the Company.