MicroTech Medical (Hangzhou) Co., Ltd.
Terms of Reference of the Audit Committee under the Board of Directors

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to enhance the Company's internal supervision and risk control, strengthen the decision-making functions of the Board, conduct audit in advance and professional audit, ensure effective supervision of the management by the Board and improve its corporate governance structure, and in accordance with the Company Law of the People's Republic of China, the Articles of Association of MicroTech Medical (Hangzhou) Co., Ltd. (hereinafter referred to as the "**Articles of Association**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Hong Kong Listing Rules**") as well as other relevant provisions, the Company has set up an Audit Committee under the Board and formulated these rules.

Article 2 As a specialized working body under the Board, the Audit Committee is mainly responsible for the Company's internal control construction and implementation thereof, internal audit, the implementation of internal audit system, risk management, and giving opinions on the appointment of external auditor and supervising its relationship with the Company, reviewing the Company's financial information and making judgments on the truthfulness, completeness and accuracy of the financial information.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall be composed of at least three non-executive directors, more than half of whom shall be independent non-executive directors, with one of them serving as chairman. At least one independent non-executive director of the Committee shall have relevant professional qualifications meeting the requirements of Hong Kong Listing Rules, or shall have professional specialty in accounting or related financial management (hereinafter referred to as the "**Financial Professional**").

A former partner of the Company's current external auditor of the Company shall not act as a member of the Audit Committee within two years commencing from the later of the following dates:

(1) the date of their termination of the partnership with the accounting firm; or

(2) the date of their termination of the entitlement to financial interests of the accounting firm.

Article 4 The chairman and other members of the Committee (collectively referred to as the "**members**") shall be nominated by the chairman of the Board, more than half of the independent non-executive directors or more than one-third of all the directors, and shall be elected by the Board. But independent non-executive directors elected by the Company as Financial Professionals shall be automatically admitted to candidates without nomination. Where there is only one independent non-executive director as Financial Professional, he/she shall be automatically elected.

Article 5 The Audit Committee shall have one chairman who shall be an independent non-executive director and shall be responsible for convening and presiding over the work of the Committee.

Article 6 The secretary of the Audit Committee shall be the Secretary of the Company. The Audit Committee may from time to time, appoint any other person with appropriate qualification and experience to act as the secretary of the Audit Committee.

Article 7 The term of office of the Audit Committee shall be identical to that of the Board. Members of the Audit Committee may be re-elected upon the expiration of the current term of office. If any member ceases to be a director of the Company or any member who is an independent non-executive director no longer meets relevant independence requirements as set out in the Hong Kong Listing Rules during his/her term of office, his/her membership in the Committee shall be lapsed automatically, and the vacancy shall be filled up by the Board in accordance with the Article 3 to Article 5 above.

Article 8 Where the number of members of the Audit Committee at any time fails to comply with any of the provisions relating to the Audit Committee set out in Rules 3.21 and 3.22 of the Hong Kong Listing Rules, the Board shall, according to the requirements of the Hong Kong Listing Rules, immediately notify the Stock Exchange and state relevant details and reasons for such non-compliance by announcement, and shall appoint a suitable person as a member of the Audit Committee from the date on which the relevant requirements are no longer met, in order to comply with such provisions. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a director.

Article 9 Under the Audit Committee, there is an Internal Audit Department or Audit Team, which is an organization responsible for specific works, such as the formulation and implementation of internal audit plan, production of internal audit report, daily work contacts, organization of meetings and other matters approved by the Audit Committee.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 10 The main duties and authorities of the Audit Committee are:

(I) Proposing the appointment or replacement of the external auditors and being responsible for the communication between internal auditors and external auditors, including:

1. Making recommendations to the Board on the appointment, reappointment and removal of external auditors, approving the compensation and terms of engagement for external auditors, as well as handling any matters regarding the resignation or dismissal of such external auditors;

2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process; and the Audit Committee shall discuss with the external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences;

3. Formulating and implementing polices on engaging an external auditor to provide non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally; and

4. Reporting and making recommendations to the Board on any matters where action or improvement is needed.

(II) Reviewing the Company's financial information and disclosure thereof, including:

1. Reviewing the Company's financial statements, annual reports and accounts, interim reports, other periodic reports, agreed proceedings, audit reports, and the significant views on financial reporting set out in financial statements and reports, and giving comments on the completeness, accuracy and truthfulness of the preparation and disclosure of the Company's financial reports;

2. Before submitting the financial reports to the Board for consideration, the following matters are specifically addressed: the basis and changes of accounting policies and practices, major accounting judgment, significant audit adjustment projects, business continuity plan assumptions, qualified opinions produced by external auditors, and compliance with accounting standards, laws, regulations and relevant provisions in relation to financial reporting under Hong Kong Listing Rules;

3. Considering any material or unusual matters reflected or need to be reflected from such reports and accounts, and giving due consideration to any matters raised by the accountants and financial reporting staff, supervision officer or auditors of the Company;

4. Liaising with the Board, senior management and external auditors; the Audit Committee shall meet at least twice each year with the external auditor of the Company.

(III) Oversight of the Company's financial reporting system, risk management and internal control systems, including:

1. Reviewing the Company's financial monitoring, risk management and internal control system (including making a review, analysis and independent evaluation on the adequacy and effectiveness of the risk management systems and internal control systems of the Company and subsidiaries thereof at least once a year);

2. Discussing the risk management and internal control systems with the management to ensure that the management has performed its duties to establish an effective system. The discussion shall include the adequacy of resources, staff qualifications and experience, training of employees and budget of the Company's accounting and financial reporting functions;

3. Considering the major investigation findings on risk management and internal supervisory and control issues as well as the feedback of management on these findings on its own initiative or under the instruction of the Board;

4. Ensuring the coordination between internal and external audits; ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company; and reviewing and monitoring its effectiveness;

5. Reviewing the Internal Audit Department's annual plan and giving opinions on the internal auditors' due diligence and performance appraisal;

6. Reviewing the financial and accounting policies and practices of the Company (including its subsidiaries);

7. Reviewing the Explanatory Letter on Audit Work presented by external auditor to the management, as well as any material queries raised by the auditor to the management in respect of accounting records, financial accounts or control system and the management's response;

8. Ensuring prompt reply by the Board to the issues raised by the external auditor in the Explanatory Letter on Audit Work to the management;

9. Reporting to the Board on the matters in relation to the code provision under Appendix C1 of the Hong Kong Listing Rules;

10. Considering other topics, as defined by the Board;

11. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view; and

12. Handling other matters as required by laws, regulations, listing rules of the place where the Company's securities are listed and as authorized by the Board.

(IV) Monitoring the Company's improprieties in financial reporting and internal control, including:

1. Reviewing the following arrangements of the Company: Arrangements by which the Company's employees can report, in confidence, to the Audit Committee any possible improprieties of the Company in financial reporting, internal control or other matters; ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;

2. Establishing a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, anonymously and confidentially, with the Audit Committee about possible improprieties in any matter related to the Company.

(V) Performing corporate governance duties, including:

1. Developing and reviewing the policies and practices on corporate governance of the Company and making recommendations to the Board;

2. Reviewing and monitoring the training and continuous professional development of the directors and senior management;

3. Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors;

5. Reviewing the Company's compliance with the Hong Kong Listing Rules and disclosure in the Corporate Governance Report set out in the annual reports of the Company;

(VI) Reviewing the scientificity, rationality, effectiveness and implementation of internal control systems of the Company and various subsidiaries and branches, and giving suggestions on the liability of those responsible for the violation;

(VII) Reviewing major connected transactions upon the commission of the Board;

(VIII) The Company does not establish the Supervisory Committee or supervisors, and the Audit Committee shall exercise the powers of the Supervisory Committee as stipulated in the Company Law;

(IX) Reviewing other matters specified by laws, regulations, normative documents, Hong Kong Listing Rules, the securities regulatory authority in Hong Kong, Articles of Association, as well as matters provided in the rules of procedure for the board meetings or authorized by the Board.

Article 11 The Audit Committee shall be accountable to the Board. The Audit Committee shall submit its proposals to the Board for consideration and decision, and shall report to the Board at least once a quarter, with relevant contents including but not limited to the work progress and quality of internal audit and major issues found.

Article 12 The chairman of the Audit Committee shall attend the Company's annual general meeting and answer shareholders' questions about the Committee's duties. If the chairman of the Committee is unable to attend the annual general meeting, the chairman of the Board shall invite another member of the Committee to attend; if that member is unable to attend, his/her duly appointed representative shall attend.

Chapter 4 Decision-making Procedures

Article 13 The Internal Audit Department or Audit Team shall be responsible for the preliminary preparatory works in relation to the decision-making of the Audit Committee and provide relevant written materials of the Company, including but not limited to:

(I) Relevant financial reports of the Company;

(II) Semi-annual and annual internal control examination and supervision reports;

(III) Work reports of internal audit department and external audit firm;

(IV) External audit contracts and relevant work reports;

(V) Public disclosure of information made by the Company;

(VI) Audit reports on significant connected transactions of the Company; and

(VII) Other relevant matters.

Article 14 The meetings of the Audit Committee shall discuss the reports or materials provided by the Internal Audit Department or Audit Team, pass resolution on relevant matters and submit written resolutions and relevant materials to the Board. Such matters shall include but not limited to:

(I) The job assessment, appointment and removal of external audit firm;

(II) Whether the Company's internal audit policies have been effectively implemented, and whether its financial report is complete and true;

(III) Whether the semi-annual and annual internal control self-evaluation reports are complete and true;

(IV) Whether the financial reports disclosed to the public by the Company are objective and true, and whether the material connected transactions are in compliance with the relevant laws and rules;

(V) Evaluation of the performance of the financial department and audit department (including its person in charge) of the Company; and

(VI) Other relevant matters.

Article 15 The Audit Committee's working procedures for auditing of annual financial reports are as follows:

(I) The time for auditing of annual financial reports shall be determined through consultation by the Audit Committee and accounting firm in charge of the Company's annual audit;

(II) The Audit Committee shall urge the accounting firm to submit the audit report within the agreed time;

(III) The Audit Committee shall review the financial and accounting reports prepared by the Company before the access of certified public accountant for annual audit. Written opinions shall be formed in principle;

(IV) After the access of the certified public accountant for annual audit, the Audit Committee shall enhance communication with the accountant for annual audit and review again the Company's financial and accounting reports after the said accountant provided preliminary audit opinions. Written opinions shall be formed in principle;

(V) After the financial and accounting auditing report is completed, the Audit Committee needs to vote on agreeing such report, and if a resolution is finalized, it shall be submitted to the Board for review;

(VI) In addition, the Audit Committee shall submit the final report on the Company's audit work engaged by the auditor for the current year and the resolution regarding renewing the engagement of, or replacing, the auditor for next year to the Board.

Chapter 5 Rules of Procedures

Article 16 Meetings of the Audit Committee include regular meetings and extraordinary meetings. Regular meetings shall be held at least biannually; and extraordinary meetings shall be convened upon proposal by any member or secretary of the Audit Committee. The external auditors of the Company can call for a meeting if necessary. The Audit Committee shall notify all members five days before convening of the meeting. In the event of emergency, a notice may be issued at any time regarding convening of an extraordinary meeting, and the chairman of the Audit Committee shall make explanation at the meeting. Meetings shall be chaired by the chairman of the Committee. In the event that the chairman of the Committee fails to attend the meeting, he/she may appoint another member who is an independent non-executive director to chair the meeting.

Article 17 The Audit Committee shall meet with the auditors, at least annually, in the absence of management, to discuss matters relating to audit fees, any issues arising from the audit and any other matters the auditors may wish to raise.

Article 18 Upon the invitation from the Audit Committee, the following persons can attend the meeting: (i) finance manager (or equivalent); (ii) financial controller (or equivalent); (iii) other staff members responsible for accounting and/or internal audit function; and (iv) the other Board members.

Article 19 The meetings may be held on site and in the form of written circular. If a meeting is held on site, telephone, video, etc. may be used to facilitate the members in attending the meeting. Any member who attends the meeting via the abovementioned approaches shall be deemed as having attended the onsite meeting.

Article 20 Only the members of the Audit Committee can vote in the meeting of Audit Committee. Meetings of the Audit Committee may only be convened with the presence of more than two-thirds of its members. Each member shall have one vote. Resolutions of the meeting shall be passed by a majority of all the members of the committee voting in favor.

Article 21 Voting at the meetings of the Audit Committee shall be conducted by a show of hands or by poll. Where any member cannot sign the resolutions made at a telephone meeting or video meeting in real time, the said member may orally give opinions first and responsively affix the written signature thereof, provided that there is no discrepancy between the opinions expressed by such member in completing the written resolutions and the opinions orally expressed by him/her at the meeting. Voting at an extraordinary meeting may also be conducted by means of communications.

Article 22 Where any member of the Audit Committee has any interest in the matters to be deliberated by the Audit Committee, such member shall abstain from voting on the matters.

Article 23 The senior management have the responsibility to provide enough timely information to the Audit Committee, so as to help it make informed decisions. The information supplied must be complete and reliable. The Audit Committee and its members may make further query, and independently contact the senior management when they deem necessary.

Article 24 Members of the Internal Audit Department or Audit Team may attend the meetings of the committee without voting rights. The directors and other senior management of the Company may be invited to attend such meetings without voting rights where necessary.

Article 25 Where necessary, the Audit Committee may engage intermediate agencies to provide independent and professional advice for its decision-making, the reasonable cost of which shall be borne by the Company.

Article 26 The convening procedures, voting and passing of resolutions of a meeting of the Audit Committee shall comply with the relevant laws, regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong, the Articles of Association and these rules.

Article 27 The Audit Committee shall keep minutes of the meetings. The members present at the meetings shall sign the minutes of the meetings that shall be kept by the secretary of the Company for at least 10 years. The minutes should record in sufficient detail the matters considered and the resolutions passed at the meeting, including any concerns raised or dissenting views expressed by members of the committee. After conclusion of the meeting, the initial and finalized meeting minutes shall be sent to all the members in due time, with the initial ones to be commented on by the members and the final ones to be recorded. If any director gives a reasonable notice, the Company shall give the said director access to such minutes within reasonable time.

Article 28 A resolution signed by all members of the Audit Committee is valid, and the validity is the same as any resolution passed at a meeting duly convened and held by the Audit Committee.

Article 29 Proposals and voting results adopted at the Audit Committee meetings shall be reported to the Board in writing.

Article 30 Members present at the meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 31 The phrases "more than" and "at least" as referred to herein are inclusive while "majority" is exclusive.

Article 32 These rules shall be published on the Company's website and the website of the stock exchange with which the Company's shares are listed.

Article 33 These rules shall take effect from the date on which they are considered, approved and passed by the Board.

Article 34 Matters not covered herein shall be subject to relevant laws and regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong and relevant provisions of the Articles of Association. If relevant provisions of these rules conflict with relevant laws and regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong and the Articles of Association promulgated or amended thereafter, relevant laws and regulations, Hong Kong Listing Rules, other provisions of the securities regulatory authority in Hong Kong and the prevailing or amended Articles of Association shall apply.

Article 35 The authority of formulation and interpretation of these rules shall be vested in the Board.

(If there is any inconsistency between the English and Chinese versions of this document, the Chinese version shall prevail.)