

Xunfei Healthcare Technology Co., Ltd.

訊飛醫療科技股份有限公司

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

TERMS OF REFERENCE OF THE AUDIT COMMITTEE UNDER THE BOARD OF DIRECTORS

Chapter I General Provisions

Article 1 In order to reinforce the decision-making function of the board of directors, continuously improve the construction of the internal control systems of Xunfei Healthcare Technology Co., Ltd. (the “Company”), ensure the effective supervision and management over the senior management by the board of directors, and constantly enhance the corporate governance structure, the Audit Committee under the board of directors of the Company is established with these terms of reference in accordance with relevant requirements under the Company Law of the People's Republic of China, the Articles of Association of Xunfei Healthcare Technology Co., Ltd. (the “Articles of Association”), the Terms of Reference of the Board of Directors of Xunfei Healthcare Technology Co., Ltd. and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange Listing Rules”).

Article 2 The Audit Committee is a special working body set up by the board of directors, which is principally responsible for communication between the Company and external audit firms, supervision and verification of such external audit firms, supervision of internal audit, evaluation and improvement of the internal control systems of the Company and risk assessment in respect of, among others, the significant investment projects of the Company under operation.

Chapter II Composition

Article 3 The Audit Committee shall consist of three non-executive directors with a majority of whom being independent non-executive directors. At least one member shall be an independent non-executive director with appropriate professional qualifications or with appropriate accounting or related financial management expertise as stipulated by the Hong Kong Stock Exchange Listing Rules.

Article 4 The members of the Audit Committee are elected among the directors and are subject to approval by the board of directors. A former partner of the external audit firm which is currently responsible for auditing the accounts of the Company should be prohibited from acting as a member of the Audit Committee of the Company for a period of two years from the date (whichever is the later) as follows:

- (1) the date of ceasing to be a partner of the external audit firm; or
- (2) the date of ceasing to be entitled to any financial interest in the external audit firm.

Article 5 The Audit Committee shall have a chairman (convener) who shall be an independent non-executive director and an accounting professional, and shall preside over the committee's work; the chairman of the Audit Committee shall be elected among the members of the Audit Committee.

Article 6 The term of office of the Audit Committee shall be the same as that of the board of directors. A member of the Audit Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. A member shall cease to be a member when he/she is no longer a director of the Company, and the board of directors shall fill up the vacancy in accordance with Articles 3 to 5 above.

Article 7 The audit department of the Company is an internal audit department and shall be the operation institution of the Audit Committee.

Article 8 If a member fails to attend meetings of the Audit Committee in person for two consecutive times and does not delegate another member to act on his/her behalf, he/she shall be deemed as incapable of performing his/her duties, and shall be replaced by the board of directors.

Article 9 Save as the circumstances set out in the aforesaid articles and the circumstances in which a person is prohibited from acting as a director or independent non-executive director in the Articles of Associations, a member shall not be removed without reasons before the expiry of his/her term of office.

Article 10 A member of the Audit Committee may tender his/her resignation before the expiry of his/her term of office. The relevant requirements under laws, regulations, the Hong Kong Stock Exchange Listing Rules and the Articles of Associations in relation to the resignation of directors or independent non-executive directors shall be applicable to the resignation by a member.

Article 11 Where the board of directors removes the position of a member of the Audit Committee pursuant to the Article 8 hereof or a member resigns from his/her position as a member of the Audit Committee before expiry of his/her term of office pursuant to Article 10 hereof, he/she may continue to perform his/her duties as a director or independent non-executive director of the Company during his/her term of office without any prejudice.

Chapter III Duties and Authorities

Article 12 The responsibilities of the Audit Committee include:

- (I) Relationship with the external audit firm of the Company
 1. to make proposals and recommendation to the board of directors in respect of the appointment, re-appointment, dismissal or replacement of the external audit firm, approve the remuneration and terms of engagement of the external audit firm, and deal with all matters of resignation or dismissal of the external audit firm;
 2. to review and monitor independence and objectivity of the external audit firm and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external audit firm the nature, scope and related reporting responsibility before the audit commences;

3. to formulate and implement policies relating to the provision of non-audit services by the external audit firm. For the purpose of this clause, an external audit firm shall include any entity under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party would reasonably conclude to be part of the local or international operation of the external audit firm. The Audit Committee shall report to and advise the board of directors on any action or improvement to be taken;
4. to act as the representative between the Company and the external audit firm and oversee their relationship;

(II) Review of financial information of the Company

1. to monitor integrity of the Company's financial statements and annual reports and accounts, interim reports and quarterly reports (if any), and to review important opinions regarding financial reporting in such statements and reports. In reviewing these statements and reports before submission to the board of directors, the Audit Committee should focus particularly on the following items:
 - (1) any change in accounting policies and practices;
 - (2) major judgmental areas;
 - (3) significant adjustments resulting from audit;
 - (4) the going concern assumptions and any qualified opinions;
 - (5) compliance with accounting standards; and
 - (6) compliance with the Hong Kong Stock Exchange Listing Rules and legal requirements in relation to financial reporting;
2. for the purpose of item 1 above:
 - (1) the members of the committee shall communicate with the board of directors and members of the senior management. The committee shall meet with the external audit firm at least twice a year;
 - (2) the committee shall consider any significant and unusual items that are, or may need to be, reflected in such reports and accounts, and shall give consideration to the matters raised by the staff responsible for accounting and financial reporting function of the Company, compliance officer or the external audit firm;

(III) Oversight of the Company's financial reporting and internal control procedures

1. to review and evaluate the risk management system and financial control, risk management and internal control systems of the Company;
2. to discuss with the management on internal control system to ensure that the management has performed its duty to maintain an effective system. The matters discussed shall include the adequacy of resources, qualifications, experience and training of staff and budgets pertaining to the accounting and financial reporting functions of the Company;
3. to review major investigation findings on internal control and the management's response to these investigation findings on its own initiative or as delegated by the board of directors;
4. to ensure co-ordination between the internal audit function and the external audit firm, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
5. to review the Group's financial and accounting policies and practices;
6. to review the external audit firm's management letter, any material query raised by the external audit firm to management about the accounting records, financial accounts or systems of control and management's response;
7. to ensure that the board of directors will provide a timely response to the issues raised in the external audit firm's management letter;
8. to make report to the board of directors in respect of the above-mentioned matters and other matters as set out in code provision D.3.3 in Appendix C1 to the Hong Kong Stock Exchange Listing Rules (or the provisions thereof as amended from time to time);
9. to discuss other issues assigned by the board of directors;
10. to review the following arrangements of the Company: the employees of the Company can, in confidence, raise concerns about possible irregularities in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary actions accordingly;

(IV) Other matters

1. other duties as provided for in the Articles of Association;
2. to handle other relevant matters as required by laws and regulations and securities regulations of the place where the Company's shares are listed, and as authorized by the board of directors;
3. The Company should provide the Audit Committee with sufficient resources to perform its duties.

Article 13 The Audit Committee shall be accountable to the board of directors. The proposals of the committee shall be submitted to the board of directors for consideration and decision. The Audit Committee shall work in accord with the supervisory audit activities of the supervisory committee.

Article 14 The Audit Committee shall publish its terms of reference on the website of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Stock Exchange”) and the Company’s website, explaining its role and the powers delegated to it by the board of directors.

Chapter IV Responsibilities of the Chairman

Article 15 The chairman of the Audit Committee shall mainly perform the following responsibilities:

- (I) convening regular meetings of the Audit Committee;
- (II) convening extraordinary meetings of the Audit Committee under special circumstances;
- (III) presiding over meetings of the Audit Committee;
- (IV) arranging and preparing research reports on audit projects;
- (V) reviewing and finalizing daily research reports;
- (VI) other duties as authorized by the board of directors and the Audit Committee.

Chapter V Working Procedures

Article 16 The audit department shall be responsible for making the preliminary preparations for decision making of the Audit Committee, and provide the relevant written information of the Company in relation to:

- (I) relevant financial reports of the Company;
- (II) work reports of internal audit function and external audit firm;
- (III) external audit contracts and the relevant working reports;
- (IV) public disclosure of information made by the Company;
- (V) audit reports regarding major connected transactions of the Company;
- (VI) financial and legal information about major investment projects;
- (VII) other relevant information.

Article 17 the Audit Committee shall make comments on the reports provided by the internal audit department and submit relevant written resolutions to the board of directors for discussion with respect to:

- (I) the evaluation of work conducted by the external audit firm, and appointment and replacement of the external audit firm;
- (II) whether the Company's internal audit systems have been effectively implemented, and whether its financial reports are complete and true;
- (III) whether the information disclosed to the public by the Company (including the financial reports) is objective and true, and whether the major connected transactions of the Company are in compliance with relevant laws and rules;
- (IV) evaluation of the work of the financial department and the audit department of the Company, including the respective persons in charge;
- (V) other relevant matters.

Chapter VI Procedures of Meetings

Article 18 The Audit Committee shall convene at least two meetings every year. The chairman may propose to convene an extraordinary meeting, and the notice of the meeting shall be served to all members five days prior to the meeting. The meeting shall be presided over by the chairman. In the event that the chairman is unable to attend the meeting, he/she may authorize another member to preside over the meeting.

Article 19 Meetings of the Audit Committee shall not be held without the presence of no less than two-thirds (including two-thirds) of the members. Each member shall have one vote. A resolution of the meeting shall be passed by a simple majority of the votes of all members.

A member of the Audit Committee who has an interest in the matters to be discussed at the meeting shall abstain from voting.

In the event that a resolution cannot be passed due to abstention by a member of the Audit Committee, the relevant matters shall be considered by the board of directors directly.

Article 20 Meetings of the Audit Committee shall normally be convened in the form of on-site meetings. In special circumstances, a meeting may be convened by way of correspondence upon consent by the chairman, provided that members of the committee are fully endorsed to express their views. If a vote is taken by means of communication or by a show of hands, members of the Audit Committee shall be deemed to have attended the meeting and agreed to the details of the resolutions by signing on the resolutions of the meeting.

Article 21 The person-in-charge of the audit department may attend the meetings of the Audit Committee; and directors, supervisors and senior management members of the Company may be invited to attend such meetings when necessary.

Article 22 The Audit Committee may, if necessary, engage intermediary institutions to provide professional advice on its decisions at the expense of the Company.

Article 23 The convening, voting and passing of resolutions of the meetings of the Audit Committee shall be in compliance with the requirements under the relevant laws, regulations, securities regulations of the place where the Company's shares are listed, the Articles of Associations and these terms of reference.

Article 24 Resolutions and voting results from the Audit Committee meetings shall be submitted in writing to the board of directors of the Company. Minutes shall be kept for the meetings of the Audit Committee and shall be signed by members present at the meetings. The minutes of the meetings shall be filed by the Company. Upon the reasonable notice of any director, such minutes shall be available for inspection by the director in a reasonable period of time.

The minutes of the Audit Committee meetings should provide a sufficiently detailed record of the matters considered and decisions reached at the meetings, including all concerns raised by directors and dissenting opinions expressed by members. After the meetings, the draft and final versions of the minutes should be sent to all Audit Committee members sequentially within a reasonable time for their review and comments.

Article 25 All members of the committee and persons attending the meetings shall keep the matters discussed at the meetings confidential, and shall not disclose the relevant information without authorization.

Chapter VII Supplementary Provisions

Article 26 Unless otherwise stated, terms used in herein shall have the same meanings ascribed to them in the Articles of Association.

Article 27 For any matters not covered by these terms of reference, the relevant laws and regulations of the PRC in effect at that time, the Hong Kong Stock Exchange Listing Rules and the Articles of Associations shall prevail. In the event that these terms of reference are in contravention with the relevant laws and regulations of the PRC in effect at that time, the Hong Kong Stock Exchange Listing Rules or the Articles of Associations as amended under lawful procedures, the relevant laws and regulations of the PRC in effect at that time, securities regulations of the place where the Company's shares are listed and the Articles of Associations shall prevail. Amendments to these terms of reference shall be made forthwith and submitted to the board of directors for approval.

Article 28 These terms of reference shall, upon the approval of the board of directors, become effective and applicable from the date on which the H shares of the Company are filed with the CSRC and listed on the Hong Kong Stock Exchange. The board of directors shall be responsible for amending and interpreting these terms of reference.

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