

DA MING INTERNATIONAL HOLDINGS LIMITED

AUDIT COMMITTEE

Terms of Reference

I. Charter

The board of directors (the “**Board**”) of Da Ming International Holdings Limited (the “**Company**”) has resolved to establish a committee to be known as the Audit Committee (the “**Committee**”) on 9 November 2010 with the terms of reference set out below.

II. Composition of the Committee

- A. The Committee shall comprise non-executive directors only. The Committee shall be appointed by the Board which shall consist of not less than 3 members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise in compliance with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time), and that a majority should be independent non-executive directors.
- B. Appointments to the Committee shall be for a period of up to three years, which may be extended by the Board.
- C. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of 2 year from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

III. The Committee Chairman

- A. The Board shall appoint the chairman of the Committee (the “**Committee Chairman**”) who shall be an independent non-executive director and determine the period for which he will hold that office. The chairman of the Board shall not be eligible to be appointed as Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- B. The Committee Chairman shall attend the annual general meeting of the Company so as to be available to answer questions from the shareholders of the Company on matters within the scope of duties of the Committee.

IV. The Secretary

The company secretary of the Company, or his/her nominee, shall act as the secretary of the Committee (the “**Secretary**”).

V. Proceedings

Unless varied by these terms of reference, meetings and proceedings of the Committee shall be governed by the Company's articles of association regulating the meetings and proceedings of the directors of the Company.

VI. Quorum

The quorum for decisions of the Committee shall be any two independent non-executive directors. A duly convened meeting of the Committee which is quorate shall have the power to exercise all or any of the powers, authorities or discretions vested in or exercisable by the Committee.

VII. Attendance at Meetings

- A. Only members of the Committee (including the Secretary) have the right to attend Committee meetings. However, other individuals such as the chairman of the Board, the Company's chief executive, the Company's financial controller, other directors of the Company, the heads of risk, compliance and internal audit representatives from the finance function and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- B. Formal meetings of the Committee may be held by telephone or other communication equipment which allows those participating to hear and speak to each other, and the quorum in that event shall be any two Committee members so linked.
- C. The external auditors will be invited to attend meetings of the Committee on a regular basis.

VIII. Frequency of Meetings

The Committee shall meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required. The Committee Chairman or any other member may convene a meeting of the Committee whenever he or she considers it necessary or desirable.

IX. Notice of Meetings

- A. Meetings of the Committee shall be summoned by the Secretary at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- B. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 3 business days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

X. Minutes of Meetings

- A. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- B. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- C. Full minutes of meetings should be kept by the Secretary. Draft and final versions of minutes of the meetings should be sent to all members of the Committee for their comment and to all members of the Board for records respectively, in both cases within a reasonable time after the meeting.

XI. Duties

The Committee should carry out the duties below.

A. Relationship with the Company's auditors

- A.1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- A.1.2 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 and scope of the audit and reporting obligations before the audit commences; and
- A.1.3 to develop and implement policy on engaging an external auditor to supply 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

B. Review the Company's financial information

- B.1.1 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on: -
 - B.1.1.1 any changes in accounting policies and practices;
 - B.1.1.2 major judgmental areas;
 - B.1.1.3 significant adjustments resulting from audit;
 - B.1.1.4 the going concern assumptions and any qualifications;
 - B.1.1.5 compliance with accounting standards; and

B.1.1.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;

B.1.2 Regarding B.1.1 above:

B.1.2.1 members of the Committee should liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least twice a year, with the Company's auditors; and

B.1.2.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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 auditors;

C. Oversight of the Company's financial reporting system, risk management and internal control systems

C.1.1 to review the Company's financial controls, internal control and risk management systems;

C.1.2 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

C.1.3 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

C.1.4 where an internal audit function exists, to ensure co-ordination between the internal and external auditors, 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;

C.1.5 to review the group's financial and accounting policies and practices;

C.1.6 to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

C.1.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

C.1.8 to report to the Board on the matters in this section XII; and

C.1.9 to consider other topics, as defined by the Board.

D. Relationship with the employees of the Company

D.1.1 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

- D.1.2 to act as the key representative body for overseeing the Company's relation with the external auditor.
- E. Where the Board disagrees with the 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 Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- F. Other duties authorized by the Board.

XII. Reporting Responsibilities

- A. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- B. The Committee shall make whatever recommendations to the Board that it deems appropriate on any area within its scope of duties where action or improvement is needed.

XIII. Authority

The Committee is authorised:

- A. to seek any information it requires from any employee of the Company in order to perform its duties;
- B. to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- C. to call any employee to be questioned at a meeting of the Committee as and when required.

XIV. Other

- A. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- B. The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.
- C. The Committee should be provided with sufficient resources to discharge its duties.

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