



CHINA METAL INTERNATIONAL HOLDINGS INC.

勤美達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 319)

Terms of Reference for Audit Committee

The Board of Directors (the “Board”) of China Metal International Holdings Inc. (the “Company”) resolved on 8 December 2004 to establish a Committee of the Board known as the Audit Committee (the “Committee”) and the terms of reference of which (the “Terms of Reference”) has been revised at the Board meeting held on 31 August 2005, and revised pursuant to the written resolutions of the Board of Directors passed on 31 December 2008, and at the Board meetings held on 28 March 2012 and 9 December 2015, and further revised pursuant to the written resolutions of the Board of Directors passed on 31 December 2015.

1. Composition

- 1.1 The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist members of not less than three members, a majority of which shall be Independent Non-Executive Directors of the Company.
- 1.2 The Chairman of the Committee shall be appointed by the Board which shall be an Independent Non-Executive Director.

2. Authority

- 2.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 2.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise when it deems fit.

3. Duties

The duties of the Committee shall include the following:-

Relationship with the Company’s auditors

- 3.1 to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- 3.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- 3.3 to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, "external auditors" 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;

Review of the Company's financial information

- 3.4 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - 3.4.1 any changes in accounting policies and practices;
 - 3.4.2 major judgemental areas;
 - 3.4.3 significant adjustments resulting from audit;
 - 3.4.4 the going concern assumptions and any qualifications;
 - 3.4.5 compliance with accounting standards; and
 - 3.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting.
- 3.5 Regarding 3.4 above:-
 - 3.5.1 members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

- 3.5.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the 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 auditors.

Oversight of the Company's financial control and reporting systems

- 3.6 to review the Company's financial control and reporting systems;
- 3.7 to discuss the financial control and reporting systems with management to ensure that management has performed its duty to have effective systems. This discussion should include adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 3.8 to consider major investigation findings on financial control and reporting matters as delegated by the Board or on its own initiative and management's response to these findings;
- 3.9 to ensure co-ordination between the internal and external auditors in respect of carrying out the internal audit function, and to ensure that the same is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- 3.10 to review the Group's financial and accounting policies and practices;
- 3.11 to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- 3.12 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- 3.13 to report to the Board on the matters set out in this Terms of Reference;
- 3.14 to consider other topics, as defined by the Board;
- 3.15 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matter. 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
- 3.16 to act as the key representative body for overseeing the Company's relations with external auditors.

4. Attendance at meetings

4.1 Executive Directors and representative(s) of the external auditors shall normally attend meetings of the Committee. Other Non-executive Directors shall also have the right of attendance. However, the Committee may request a meeting with the external auditors without executive Board members present when it deems fit.

4.2 The Company Secretary of the Company or such other person designated by the Board shall be the secretary of the Committee.

5. Frequency of meetings

Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary.

6. Quorum of meetings

Quorum for meetings of the Committee shall be two members.

7. Votes of meetings

At all meetings of the Committee, questions shall be decided by a majority of votes cast by members of the Committee present at the Meeting.

8. Minutes of meetings

The secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Committee and the Board.

Adopted at the Board Meeting held on 8 December 2004
and revised at the Board meeting held on 31 August 2005
and revised pursuant to the written resolutions of
the Board of Directors passed on 31 December 2008
and at the meetings of the Board held on
28 March 2012
and further revised pursuant to the written resolutions
of the Board of Directors passed on 31 December 2015