

DIGITAL DOMAIN HOLDINGS LIMITED
(the “Company”)

AUDIT COMMITTEE

Terms of Reference

(Adopted on 5 March 2012 and revised on 11 March 2016)

Constitution

1. The Board of Directors of the Company (the “Board”) has resolved to establish the Audit Committee (the “Committee”).

Membership

2. The members shall be appointed by the Board amongst the non-executive directors of the Company and shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee shall be independent non-executive directors. A quorum of the meeting shall be two members.
3. The chairman of the Committee shall be an independent non-executive director appointed by the Board.

Attendance at meetings

4. The Finance Director (if any), the Head of Internal Audit (if any), the head and/or a representative of the accounts department and a representative of the external auditors shall normally attend the Committee meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the external auditors without executive Board members present.

Secretary

5. The Company Secretary shall be the secretary of the Committee.

Frequency of meetings

6. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider necessary.

Authority

7. The Committee is authorised by the Board to investigate any activity within its term of reference. It is authorised to seek any required information from any employee and all employees are directed to co-operate with any request made by the Committee.
8. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of external parties with relevant experience and expertise when necessary.
9. If there is any disagreement between the Board and the Committee on the selection, appointment, resignation or dismissal of the external auditors, the Committee will provide an explanation of its recommendation so that the Company shall disclose the same on the Corporate Governance Report of the relevant annual report accompanied with the reasons for different view made by the Board.
10. The Committee shall be provided with sufficient resources by the Company to discharge its duties.

Duties

11. The duties of the Committee shall be:
 - (a) 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;
 - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
 - (c) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
 - (d) to develop and implement policy on the engagement of an external auditor to supply non-audit services;

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if any), and to review significant financial reporting judgements contained therein before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and legal requirements in relation to financial reporting;
- (f) regarding (e) above, to liaise with the Board and senior management of the Company and its subsidiaries (collectively the "Group") and shall meet, at least twice a year, with the Company's auditors;
- (g) regarding (e) above, to consider any significant or unusual items that are, or may need to be, reflected in interim or annual reports and financial statements and should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (h) to review the Group's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Group's risk management and internal control systems where applicable and appropriate;
- (i) to discuss with the management the systems of risk management and internal control and ensure that management has performed its duty to have effective systems including the adequacy of resources, qualifications and experience, training programmes and budget of staff of the Group's accounting and financial reporting function;
- (j) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the financial statements, the accounting records or systems of control and management's response;

- (k) to ensure the Board to provide a timely response to the issues raised in the external auditor's management letter;
 - (l) (where an internal audit function exists) to review and monitor the effectiveness of the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
 - (m) to review the Group's financial and accounting policies and practices;
 - (n) 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;
 - (o) to review arrangements employees of the Group 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 actions;
 - (p) to act as the key representative body for overseeing the Group's relations with the external auditors;
 - (q) to report to the Board on the above matters; and
 - (r) to consider other topics, as defined or assigned by the Board.
12. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Reporting procedures

13. The secretary shall circulate copies of the minutes of meeting of the Committee to all members of the Board.

Miscellaneous

14. The terms of reference will be made available to the shareholders, government authorities and the general public by posting on the websites of the Stock Exchange and the Company.