



THE HONG KONG PARKVIEW GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 207)

Audit Committee (the “Committee”)

Terms of Reference

A. Membership

- (a) Members of the Committee shall be appointed by the board of directors (the “Board”) and shall be made up of at least three members, the majority of whom should be independent non-executive directors of The Hong Kong Parkview Group Limited (the “Company”);
- (b) Only members of the Committee have the right to attend Committee meetings, save that members of senior management may be invited to attend all or part of any meeting, as and when appropriate;
- (c) Appointments to the Committee shall be for such initial period (subject to extension) as prescribed by the Board; and
- (d) The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of them to chair meetings of the Committee.

B. Secretary

The Company Secretary or his nominee shall act as the Committee’s Secretary.

C. Authority

- (a) The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties; and
- (b) The Committee is authorised to obtain, at the Company’s expense, outside legal or other professional advice on any matters within its terms of reference.

D. Quorum

The quorum necessary for the transaction of business by the Committee at a meeting of the Committee shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

E. Frequency of Meetings

The Committee shall meet at least twice a year. Additional meetings shall be held as the work of the Committee demands.

F. Notice of Meetings

Proceedings of the Committee's meetings shall be governed by Articles 111 to 120 of the Company's Bye-laws.

G. Attendance at Meetings

As necessary or desirable, the Chairman may request that members of management and representatives of external auditor be present at meetings of the Committee. At least twice a year the Committee shall meet with the external auditor without executive Board members present.

H. Duties, powers and functions

The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the "Group"), and as to the adequacy of the external and internal audits. The Committee shall meet regularly with senior management and the external auditor to discuss and review the Company's financial reporting process, nature and scope of audits and effectiveness of internal control system; and without prejudice to the generality of the foregoing:

- (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 resignation or dismissal of that auditor;
- (b) 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;

- (c) to develop and implement policy on the engagement of 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 audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed. The engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;
- (d) to monitor integrity of financial statements, annual report and accounts, half-year report, and to review significant financial reporting judgments contained in them. In this regard, in reviewing these reports before submission to the Board, the Committee should focus particularly on:-
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualification;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Hong Kong Listing Rules and other legal requirements in relation to financial reporting;
- (e) in regard to (d) above:-
 - (i) members of the Committee must liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the external auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, Chief Financial Officer (if any), Financial Controller (if any) or auditor;
- (f) to review the Company’s financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting and financial reporting function;
- (h) to consider any findings of major investigations on internal control matters as delegated by the Board or on its own initiative and management’s response;

- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) 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 is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow-up action;
- (m) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the above matters; and
- (p) to consider other topics, as defined by the Board.

I. Reporting Responsibilities

The Committee shall report to the Board on a regular basis. At the next Board meeting following a Committee's meeting, the Committee's Chairman shall report the Committee's findings and recommendations to the Board. At least annually, the Committee should present a report to the board which addresses the work and findings of the Committee during the year.

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