

China Silver Group Limited

Terms of Reference – Audit Committee

Constitution

1. The board of directors of China Silver Group Limited (the "**Company**") (the "**Board**") has resolved the establishment of the Audit Committee on 5 December 2012.

Membership

2. The Audit Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company with the chairman having appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).
3. The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive director.
4. A quorum shall be three members.

Notice of Meetings

5. Meetings of the Committee shall be summoned by the secretary of the Committee who will be the company secretary of the Company.
6. 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 working 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.

Attendance at meetings

7. The Chief Financial Officer, a representative of the external auditors and the Head of Internal Audit, if any, shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Audit Committee members shall meet with the external and internal auditors without executive Board members present.
8. The company secretary shall be the secretary of the Audit Committee.

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Frequency of meetings

9. Meetings shall be held not less than twice a year at the request of the Board or Senior Management. The external auditors may request a meeting if they consider that one is necessary.

Annual General Meeting

10. The Chairman of the Committee (or if he is not able to attend, his delegate who shall be a member of the Committee) shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

Authority

11. The Audit 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 Audit Committee.
12. The Audit 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 at meetings of the Audit Committee if it considers this necessary.

Duties

13. The duties of the Audit Committee shall be:
 - (a) to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal;
 - (b) to discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
 - (c) to review the interim and annual financial statements before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;

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- (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards; and
 - (vi) compliance with stock exchange and legal requirements.
- (d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (e) to review the external auditors' independence and objectivity and the effectiveness of the audit process, management letter and management's response;
- (f) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (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 of the Company's accounting and financial reporting function, and their training programmes and budget;
- (h) (where an internal audit function exists) to review 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 company;
- (i) to consider the major findings of internal investigations and management's response; and
- (j) to consider other topics, as determined by the Board.

Reporting procedures

14. The secretary shall circulate the minutes of meetings and reports of the Audit Committee to all members of the Board as soon as practicable under the conclusion of any meeting of the Audit Committee.

China Silver Group Limited

For and on behalf
China Silver Group Limited

Name : Chen Wantian
Title : Director
Date: