SINCE 1983

MOBICON GROUP LIMITED
萬利剛集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1213)

(the "**Company**")

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(Amended and adopted by the Board on 18 February 2016)

1. Constitution

1.1 The Company's audit committee (the "**Audit Committee**") was established pursuant to a resolution passed by the board of directors (the "**Directors**") of the Company (the "**Board**") at its meeting held on 18 April 2001 and its terms of reference were amended and adopted by the Board pursuant to a resolution passed by the Board at a meeting held on 28 March 2012.

2. Objective

2.1 The Audit Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company.

3. Membership

3.1 Members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three members provided that none of the former partner of the Company's existing external auditor of the Company (the "**Auditor**") can be appointed as a member of the Audit Committee until and unless at least one year has left from the date of his or her ceasing (i) to be a partner of the Auditor or (ii) to have any financial interest in the Auditor, whichever is later.

* *For identification purposes only*

3.2 The majority of the Audit Committee members shall be independent non-executive directors and at least one of whom has appropriate professional qualification 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) (the "**Listing Rules**").

3.3 The chairman of the Audit Committee (the "**Chairman**") shall be appointed by the Board and shall be one of the independent non-executive Directors sitting on the Audit Committee. In the absence of the Chairman at any meeting of the Audit Committee, the remaining members of the Audit Committee present at any meeting convened in accordance with these terms of reference shall elect among the remaining members of the Audit Committee to act as the Chairman.

3.4 The company secretary of the Company shall act as the secretary of the Audit Committee (the "**Secretary**").

4. Proceedings

4.1 Notice:

Unless otherwise agreed by all the Audit Committee members, a meeting shall be called by at least seven days' notice. An Audit Committee member may and the Secretary shall, on the request of an Audit Committee member, at any time summon an Audit Committee meeting. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by facsimile or electronic transmission at the telephone or facsimile number or address or email address from time to time notified to the Secretary by such member of the Audit Committee may from time to time determine. Any notice given orally shall be confirmed in writing.

Each notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting.

If any member of the Audit Committee wishes to include any matter as an item in the agenda for a particular meeting of the Audit Committee after the issue of the notice of such meeting, he or she may notify the Secretary the proposed matter(s) in writing within three days after the notice of the meeting is given.

4.2 Quorum:

The quorum shall be two members of the Audit Committee. If only two members are present in any meeting of the Audit Committee, at least one member must be an independent non-executive Director.

4.3 Attendance at the meetings:

The Finance Director, the Head of Internal Audit or any officer(s) assuming the relevant functions but having a different designation and a representative of the Auditor shall normally attend meetings. Other Board members shall also have the right of attendance.

The Audit Committee may invite other Director(s) who is/are not member(s) of the Audit Committee, external adviser(s) and/or other person(s) to attend part or the whole of any of its meetings as it considers necessary to assist it to discharge its duties. However, at least once a year the Audit Committee shall meet with the Auditor without executive Board members present.

The invitee(s) shall not be counted in the quorum and is/are not entitled to vote at the meetings of the Audit Committee.

4.4 Frequency of meetings:

Meetings shall be held at least once every three months to consider the budget, revised budget and quarterly report prepared by the Board. The Auditor may request the Chairman to convene a meeting, if they consider that one is necessary.

4.5 Voting:

Questions arising at the Audit Committee meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.

5. Alternate members

5.1 A member of the Audit Committee may not appoint any alternate.

6. Authority

6.1 The Audit Committee may exercise the following powers:

(a) to investigate any activity within its terms of reference;

(b) to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee; and

(c) to engage independent counsel and other independent professional advices as it deems necessary to carry out its duties at the Company's expenses.

7. Duties

7.1 The duties of the Audit Committee shall be:

Relationship with the Auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit 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 engaging an external auditor to supply non-audit services. For this purpose, the 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;

(d) to act as the key representative body for overseeing the Company's relations with the Auditor;

Review of financial information of the Company

(e) to monitor integrity of the financial statements and interim and annual report and accounts of the Company, and to review significant financial reporting judgements contained in them before submission to the Board. The Audit Committee should focus 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 assumption and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(f) for the purpose of (e) above:-

  (i) the Audit Committee should liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Auditor; and

  (ii) the Audit 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 reporting system, risk management and internal control systems

(g) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee or by the board itself to review the Company's risk management and internal control systems;

(h) 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;

(i) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiatives and management's response to these findings;

(j) 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;

(k) to review the financial and accounting policies and practices of the Company and its subsidiaries;

(l) to review the 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;

(m) to ensure the Board will provide a timely response to the issues raised in the Auditor's management letter;

(n) to report to the Board on the matters set out in the code provisions as set out in Appendix 14 to the Listing Rules;

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

(p) to consider other issues as may be defined by the Board from time to time.

8. Veto rights

8.1 The Audit Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Audit Committee:

(a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and

(b) to employ or dismiss the Group's financial controller or the internal audit manager.

9. Resolutions in writing and minutes of meetings

9.1 A resolution in writing signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may be contained in a single document or may consist of several documents all in like form.

9.2 The minutes of meetings of the Audit Committee shall be kept by the Secretary.

9.3 Draft and final versions of each minutes of the Audit Committee's meeting shall be sent to all Audit Committee members for their comments and records respectively within a reasonable time after the meeting was held.

9.4 Minutes of meetings of the Audit Committee are open for inspection by any Directors at the principal place of business of the Company at any reasonable time after a reasonable prior notice has been served on the Secretary.

10. Bye-laws of the Company

10.1 The bye-laws of the Company regulating the meetings and proceedings of the Directors, so far as the same are applicable and are not replaced by the provisions in these terms of reference, shall apply to the meetings and proceedings of the Audit Committee.

11. Reporting procedure

11.1 The Chairman shall report formally to the Board on the Audit Committee's proceedings after each meeting on all matters within its duties and responsibilities.

11.2 The Audit Committee shall make whatever recommendations to the Board as it may deem appropriate on any area within its duties and responsibilities where action or improvement is needed.

12. Other matters

12.1 The Chairman or, in the absence of the Chairman, a member of the Audit Committee shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions.