

MOBI Development Co., Ltd.
(“Company”)
摩比發展有限公司
(Stock code: 947)

Terms of Reference of Audit Committee
(Approved by the board on 22 March 2012)

Constitution

1. The board of directors of the Company (“Board”) has resolved to establish a committee of the Board to be known as the Audit Committee.

Membership

2. The members of the Audit Committee shall be appointed by the Board among non-executive Directors only. The Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2). The majority of the audit committee members must be independent non-executive Directors of the Company. The Audit Committee must be chaired by an independent non-executive Director. The quorum for the meetings of the Audit Committee shall be two members.
3. A former partner of the Company’s existing audit firm shall be prohibited from acting as a member of the Audit Committee for a period of one year commencing on the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is later.

Attendance at meetings

4. The Chief Financial Officer of the Company and a representative of the external auditors shall normally attend meetings of the Audit Committee. However, at least once a year the Audit Committee shall meet with the external and internal auditors, if any, without the executive Directors present.

Frequency and conduct of meetings

5. The Audit Committee should meet not less than twice a year. Additional meetings should be held as the work of the Audit Committee demands.
6. In addition, the Audit Committee’s Chairman may convene additional meetings at his discretion.

7. The quorum of a meeting shall be two Audit Committee members.
8. The resolutions of the Audit Committee shall be passed by a majority of its members agreed.
9. An agenda and accompanying board papers should be sent in full to all Directors in a timely manner and at least 3 days before the intended date of a meeting of the Audit Committee (or such other period as agreed by its members).
10. Senior Management is obliged to supply the Audit Committee with adequate information in a timely manner, in order to enable it to make informed decisions. Where a member of the Committee requires more information than is volunteered by Senior Management, the relevant member should make additional necessary enquiries.

Authority

11. The Audit Committee is authorized by the Board to investigate any activities within these Terms. 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 independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Audit Committee.

Duties

13. The duties of the Remuneration Committee shall include:

Relationship with the Group's auditors

- (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. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the Audit Committee;
- (c) to develop and implement policy on engaging 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.

Review of financial information of the Group

- (d) monitoring integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In this regard, in reviewing the Group's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee shall 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 qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with any requirements from the Stock Exchange and other legal requirements in relation to financial reporting;
- (e) in respect of the above:-
 - (i) liaising with the Board and Senior Management and meeting, at least twice a year, with the Group's auditors; and
 - (ii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Group's qualified accountant, compliance officer or auditors.

Oversight of the Group's financial reporting system and internal control procedures

- (f) reviewing the Group's financial controls, internal control and risk management systems;
- (g) discussing with Senior Management any matters in relation to the Group's internal control system and ensuring that Senior Management has discharged its duties in establishing and maintaining an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (h) considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and Senior Management's response;
- (i) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring the effectiveness of the internal audit function;
- (j) reviewing the Group's financial and accounting policies and practices;
- (k) reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management in respect of the accounting records, financial accounts or systems of control and Senior Management's response;
- (l) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (m) reviewing arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (n) acting as the key representative body for overseeing the Group's relationship with the external auditor;
- (o) reporting to the Board on the matters set out in these Terms; and
- (p) considering any other topics, as defined by the Board.

Disagreement as to external auditors

14. In the event the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall provide a statement explaining its recommendations to the Company for inclusion in the Corporate Governance Report issued by the Company in accordance with Appendix 23 of the Listing Rules.

Reporting procedures

15. Full minutes of the Audit Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
16. Draft and final versions of minutes of such meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.