

# **CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED**

**(the “Company”)**

## **TERMS OF REFERENCE**

**OF**

## **AUDIT COMMITTEE**

Adopted as amended by the Board on 21 August 2015.

### **Constitution**

1. The board (the “Board”) of directors of the Company (the “Directors”) has resolved to establish a Committee of the Board to be known as the Audit Committee (the “Committee”) with the membership, authority and duties described below.

### **Membership**

2. The members of the Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, the majority of whom should be independent non-executive Directors.
3. The Board shall appoint the chairman of the Committee who should be an independent non-executive Director.

### **Attendance at Meetings**

4. The Group’s Chief Financial Officer, the Group Internal Auditor, and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without the presence of management.
5. The Company Secretary shall be the secretary of the Committee.

## **Frequency of Meetings**

6. Members of the Committee should liaise with the Board and senior management and the Committee must meet at least twice a year with the Company's auditor.

## **Quorum**

7. The quorum necessary for physical meetings and meetings held through electronic means shall be two members.

## **Authority**

8. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.
9. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
10. The Board delegates its corporate governance duties to the Committee.
11. The Committee is to be provided with sufficient resources to discharge its duties.

## **Duties**

12. The duties of the Committee shall be :

### *Relationship with the Company'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;
- (c) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (e) to act as the key representative body for overseeing the Company's relations with the external auditor;

*Review of the Company's financial information*

- (f) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. 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 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 and legal requirements in relation to financial reporting;

- (g) to 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 relevant staff responsible for the accounting and financial reporting and compliance function or auditor;

*Oversight of the Company's financial reporting system, risk management and internal control systems*

- (h) to review the Group's financial controls, risk management and internal control systems;
- (i) 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;
- (j) 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;
- (k) 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 Group, and to review and monitor its effectiveness;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (n) to review the external 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, and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (o) to review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and 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 action;
- (p) to consider other topics, as defined by the Board;

Corporate governance

- (q) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - (r) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - (s) to review and monitor the code of conduct as set out in the company policies relating to human resources & administration applicable to employees and directors;
  - (t) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and
  - (u) to review and monitor the Group's whistleblowing policy and system for employees to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the Company.
13. Full minutes of the meetings of the Committee should be kept by the Company Secretary. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
  14. The Company Secretary shall circulate the minutes of meetings to all members of the Board.
  15. The Committee shall report to the Board on the matters under these Terms of Reference.

### **Supplementary Provisions**

16. Any outstanding matters not covered in these Terms of Reference will be governed by the relevant laws and regulations and the articles of association of the Company. If any provision of these Terms of Reference is or becomes inconsistent with any provision of laws, regulations, rules of securities regulatory bodies and stock exchange, or duly amended articles of association of the Company, the provisions of such laws, regulations, rules of securities regulatory bodies and stock exchange, or duly amended articles of association of the Company shall apply and these Terms of Reference will be amended and approved by the Board accordingly. Such provisions of these Terms of Reference as are quoted from the laws, regulations, rules of the securities regulatory bodies and stock exchange shall be deemed to be amended simultaneously upon any amendment of the said laws, regulations, rules of the securities regulatory bodies and stock exchange.

17. These Terms of Reference shall be construed by the Board.

### **Publication of these Terms of Reference**

18. A copy of these Terms of Reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited.