

CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Terms of Reference

of

Audit Committee

(Revised and adopted on 30 April 2012)

1. Composition

- 1.1 The Audit Committee of the Board (the “Board”) of Directors (the “Directors”) of the Company (the “Audit Committee”) shall comprise three non-executive Directors, the majority of whom must be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).
- 1.2 A former partner of the Company’s existing external auditors should be prohibited from acting as a member of the Audit Committee for a period of one year from his ceasing (i) to be a partner of the existing external auditors; or (ii) to have any financial interest in the existing external auditors, whichever is later.
- 1.3 The Chairman of the Audit Committee shall be appointed by the Board who must be an independent non-executive Director.
- 1.4 The Company Secretary of the Company or his nominee shall be the secretary of the Audit Committee.

2. Meetings

- 2.1 The quorum of the Audit Committee meeting shall be two members.
- 2.2 Other Directors shall also have the right of attendance at any meeting of the Audit Committee, but at least once a year the Audit Committee shall meet with the external auditor of the Company (the “Auditor”) without executive Directors present.
- 2.3 Meetings of the Audit Committee shall be held not less than twice a year, and the Auditor may request a meeting if they consider that one is necessary.

- 2.4 The secretary of the Audit Committee shall keep full minutes of all Audit Committee meetings. Draft and final versions of minutes of meetings of the Audit Committee should be sent to all members of the Audit Committee for their comment and records within a reasonable time after the meeting.
- 2.5 The secretary of the Audit Committee shall circulate minutes of meetings and reports of the Audit Committee to all Directors. Minutes of meetings of the Audit Committee shall be produced to subsequent Board meetings for information.
- 2.6 Proceedings of meetings of the Audit Committee shall be governed by the Articles of Association (as amended from time to time) of the Company.

3. **Authority**

The Audit Committee is authorised by the Board:

- (i) To investigate any activity within its Terms of Reference, and the executive Directors shall ensure that members of the Audit Committee are provided with full and unlimited access to all books and accounts of the Group;
- (ii) To seek any information it requires from any employee, consultant or adviser of the Group, and all employees, consultants and advisers of the Group are directed to co-operate with any request made by the Audit Committee;
- (iii) To obtain advices from outside legal or other independent professional advisers whose fees and expenses shall be borne by the Company, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (iv) To obtain sufficient resources from the Company to perform its duties.

4. **Duties**

The duties of the Audit Committee are as follows:

- (i) To be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;

- (ii) 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;
- (iii) To develop and implement policy on engaging the Auditor to supply non-audit services. For this purpose, the Auditor shall include 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;
- (iv) To monitor integrity of the Group's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (1) any changes in accounting policies and practices;
 - (2) major judgemental areas;
 - (3) significant adjustments resulting from audit;
 - (4) the going concern assumptions and any qualifications;
 - (5) compliance with accounting standards; and
 - (6) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (v) Regarding (iv) above:
 - (1) members of the Audit Committee should liaise with the Board and senior management of the Company and the Audit Committee must meet, at least once a year, with the Auditor; and
 - (2) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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 the Auditor;

- (vi) To review the Group's financial controls, internal control and risk management systems;
- (vii) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;
- (viii) To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (ix) Where an internal audit function exists, to ensure co-ordination between the internal auditors and the Auditor, 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;
- (x) To review the Group's financial and accounting policies and practices;
- (xi) 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;
- (xii) To ensure that the Board will provide a timely response to the issues raised in the Auditor's management letter;
- (xiii) To establish and review arrangements that employees of the Company can use to raise concerns, in confidence, about possible improprieties in financial reporting, 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;
- (xiv) To act as the key representative body for overseeing the Company's relations with the Auditor;
- (xv) To do any act to enable the Audit Committee to exercise and perform its powers and functions delegated to it by the Board;
- (xvi) To implement or comply with any requirement, direction or regulation that may from time to time be prescribed by the Board or contained in the Company's Memorandum and Articles of Association or imposed by legislation.
- (xvii) To report to the Board on the matters in this Terms of Reference;
- (xviii) To consider other topics, as defined by the Board; and

- (xix) To report to the Board on any decisions made by the Audit Committee, unless there are legal or regulatory restrictions to do so.

5. **Reporting Responsibilities**

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