

**China Tower Corporation Limited**  
**Terms of Reference of the Audit Committee of the Board**

**CHAPTER I GENERAL RULES**

**Article 1** In order to strengthen the decision-making capacity of Audit Committee of the Board and standardize the proceedings, these terms of reference are formulated in accordance with relevant laws, regulations, standardized documents of the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and the requirements of the articles of association of China Tower Corporation Limited (the "Articles of Association"), as well as the actual situation of the Company.

**Article 2** The Board has set up the Audit Committee of the Board (the "Audit Committee"). The Audit Committee is a working body specifically set up by the Board, and is mainly responsible for the communication, supervision and examination work of the internal and external audits of the Company, as well as the risk management and internal control of the Company. The Audit Committee assists the Board by performing its functions and powers independently prescribed in these terms of reference and is accountable to the Board.

**CHAPTER II THE COMPOSITION OF THE AUDIT COMMITTEE**

**Article 3** The Audit Committee shall be composed of over three non-executive Directors, in which the proportion of independent non-executive Directors shall be more than half. Members of the Audit Committee shall be in principle independent of the daily operation and management affairs of the Listed Company.

**Article 4** A chairman is appointed for the Audit Committee and shall be taken up by an independent non-executive Director. The chairman is responsible for convening the meeting of the Audit Committee and taking charge of the work of the Audit Committee.

**Article 5** The chairman and members of the Audit Committee shall be nominated by the Nomination Committee and selected by more than half of the members of the Board. All members of the Audit Committee shall be able to fulfill their responsibilities of the Audit Committee with expertise and commercial experience, and at least one of them shall be an independent non-executive Director who has appropriate professional qualifications required by Rule 3.10(2) of the Hong Kong Listing Rules, or possessed with appropriate expertise in accounting or relevant to financial management.

**Article 6** A former partner of the external audit institution which is the Company's current auditor may not act as a member of the Audit Committee within two years commencing from the later of the following dates:

- (I) when he/she ceases to be a partner of the external audit institution; or
- (II) when he/she ceases to have any financial interests in the external audit institution.

**Article 7** The term of office of the Audit Committee shall be in line with the term of office of the Board. The member may be re-elected upon the expiry of the current term of office. During the term, if any member ceases to hold office as a Director, the Board shall fill up the vacancy in accordance with these terms of reference in order to meet the requirements herein on the composition of the Audit Committee. The term of office of the replacing member shall expiry upon the expiry of such member's term of office as a Director.

**Article 8** The Audit Committee shall establish working groups as daily administrative office, which is organized by the audit department of the Company. The audit department and other member units shall be responsible for the information collection and study and preparation of materials for meeting of the Audit Committee. The Board office shall be responsible for the contact of daily works, organization and arrangement of meeting and minutes.

**Article 9** Any member of the Audit Committee may be replaced in any one of the following circumstances subject to discussion and approval by the Board:

- (I) he/she tenders his/her resignation in writing;
- (II) he/she is involved in gross misconduct or in violation of the requirements of the laws, regulations and the Articles of Association during his/her term of office;
- (III) other circumstances in which he/she is considered by the Board not suitable to serve as a member.

### **CHAPTER III RESPONSIBILITIES AND AUTHORIZATIONS OF THE AUDIT COMMITTEE**

**Article 10** The main responsibilities and authorizations of the Audit Committee are as follows:

- (I) Proposing engagement or replacement of the external audit institution:
  - 1. Making recommendations to the Board on the appointment, reappointment and removal of external audit institution, approving the remuneration and terms of appointment of the external audit institution, and dealing with any relevant issues regarding the resignation or removal of the external audit institution.
  - 2. Inspecting and supervising the independency and objectiveness of the external audit institution as well as the effectiveness of the auditing procedures with applicable standards; the Audit Committee shall discuss on the nature and scope of audit as well as the reporting responsibilities with the external audit institution before the auditing work commences.
  - 3. Formulating and implementing the policy on engaging external audit institution to provide non-audit services. In respect of this provision, the external audit institution includes any entity that is under the same control, ownership or management with the firm responsible for the auditing work, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the institution which is responsible for the auditing work nationally or internationally. The Audit Committee should report any matters where action or improvement is needed to the Board and make recommendations on such matters.

(II) Reviewing the financial information of the Company

1. Reviewing the integrity of the Company's financial statement and annual report and management accounts, interim report and quarterly report (if any), and reviewing the major opinions related to financial reporting as disclosed in the statements and reports. Before submitting relevant statements and reports to the Board, the Audit Committee shall review the following matters in particular:
  - (1) Any changes in accounting policy and practice;
  - (2) Any matter in relation to significant judgment;
  - (3) Significant adjustment caused by auditing;
  - (4) Assumption of corporate continuous operation and any reserved opinion;
  - (5) Compliance with the accounting standard; and
  - (6) Compliance with the Hong Kong Listing Rules as well as laws and regulations related to financial reporting.
2. For item 1:
  - (1) The Audit Committee shall consider any significant or unusual items that are, or need to be, reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the staff of the Company responsible for accounting and financial reporting, compliance officer or external audit institution; and
  - (2) The Audit Committee shall liaise with the Board and senior management members. The Audit Committee shall meet at least twice a year with the external audit institution.

(III) Monitoring the financial reporting system, risk management and internal control system of the Company

1. To review the financial control, as well as risk management system and the internal control of the Company.
2. To discuss the risk management and internal control system with the management and ensure that the management has performed its duties to set up an effective internal control system. The discussion shall include the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget in accounting and financial reporting of the Company.
3. To study the important investigation results of risk management and internal supervisory and control issues as well as the feedback of management on the investigation results proactively or under the instruction of the Board.
4. To act as the key representative body for overseeing the Company's relations with the external audit institution. To ensure the coordination between internal audit department and external audit institution, and to also ensure the internal audit function has sufficient resources and proper status in the Company, as well as review and monitor the effectiveness of internal audit.
5. To review the financial and accounting policies and practices of the Company.
6. To review the *Explanatory Letter on Audit Work* provided to the management by the external audit institution, any material queries raised by the external audit institution to management about the accounting records, financial accounts or monitoring system and feedback from the management.
7. To ensure prompt reply by the Board to the issues raised by the external audit institution in the *Explanatory Letter on Audit Work* to the management.
8. To review the following arrangement set up by the Company: Employees of the Company are able to confidentially report any irregularities that may occur related to financial reporting, internal control and other aspects. The Audit Committee shall ensure appropriate arrangements are in place to allow the Company to carry out fair and independent investigations and appropriate actions on such matters.

- (IV) To report to the Board regarding the aforementioned matters.
- (V) To consider other topics, as defined by the Board.
- (VI) Other matters granted by the Board and other relevant requirements to amend the main responsibilities and authorizations of the Audit Committee in accordance with the relevant laws and regulations and the listing rules of a place where the Company's securities are listed such as the Hong Kong Listing Rules from time to time.

**Article 11** The Audit Committee shall be provided with sufficient resources to perform its duties. The Audit Committee has the right to engage independent advisors, legal advisers and other consultants, if needed, in performing its duties. Cost incurred therefrom shall be borne by the Company.

**Article 12** The Audit Committee may present proposal to the Board for consideration and approval. The Audit Committee shall provide relevant materials and information to the Board in various ways such as report, suggestion and summary as needed in the performance of duties and powers for the research and decision-making of the Board.

#### **CHAPTER IV RULES OF PROCEDURES OF THE AUDIT COMMITTEE**

**Article 13** The meetings of the Audit Committee are classified as regular meetings and extraordinary meetings. Regular meetings are convened at least twice a year, and at least once half a year, and shall be notified to all members in writing five days prior to the meeting. Materials of the meeting together with agenda for the meeting shall be serviced to all members for their review at least three days before the date appointed for the meeting; extraordinary meetings may be convened upon proposal by the Board, over one-half of the members or the chairman of the Audit Committee, and shall be notified to all members in writing three days prior to the meeting. Materials of the meeting together shall be serviced to all members for their review one day before the date appointed for the meeting.

With the consensus of all members, the above requirements for notice period can be exempted.

**Article 14** A notice of meeting of the Audit Committee shall include the following contents:

- (I) the date and venue of the meeting;
- (II) the duration of the meeting;
- (III) the reasons for and agenda of the meeting;
- (IV) the date of dispatch of the notice;
- (V) contact person and contact information of the meeting.

**Article 15** A meeting of the Audit Committee shall be presided over by the chairman. When the chairman is unable to attend the meeting, he/she may appoint another member to preside over the meeting on his/her behalf.

**Article 16** A meeting of the Audit Committee shall be held by more than one-half of the members attending the meeting. The members of the Audit Committee can attend the meeting in person, or can appoint another member to attend the meeting and express his/her opinion on his/her behalf. If a member who is an independent non-executive Director is unable to attend the meeting for some reason, he/she shall appoint another member who is an independent non-executive Director to attend the meeting on his/her behalf.

**Article 17** Any member of the Audit Committee who fails to attend a meeting in person and fails to appoint another member to attend the meeting on his/her behalf shall be deemed absent from the meeting. Any member who fails to attend meetings for two consecutive times shall be deemed unable to fulfill his/her duties properly. The Board may dismiss his/her role as the member.

**Article 18** The meeting of the Audit Committee shall be convened in the form of on-site meeting or written resolutions. The decisions made in the meeting shall be voted and approved by over one-half of all members.

**Article 19** The Audit Committee shall adopt the rule of avoidance. A member shall avoid if the considered matter is related to his/her related party. For the meeting which discusses various matters, the member shall only avoid for the matter which he/she shall avoid.

**Article 20** Other Directors, supervisors, general manager and other senior management members of the Company may be invited to attend the meeting of the Audit Committee when a meeting is convened. The staff of the Board office can attend the meeting of Audit Committee.

**Article 21** The Audit Committee shall keep minute for its meeting. Draft and final versions of minutes of meetings of Audit Committee shall be sent to all Audit Committee members for their comment and records respectively within a reasonable time after the meeting. All members present at the meeting shall sign on the minutes. If a member present at the meeting has expressly objected to the discussed matter, it shall be recorded in minutes of the meeting. The minutes shall be kept by the Board office. The minutes shall include the following contents:

- (I) the date, venue and the name of convener of the meeting;
- (II) the number of members who should be present and the number of members who are actually present;
- (III) an explanation of the relevant procedures of the meeting and the validity of the resolutions of the meeting;
- (IV) an explanation of the proposals examined and voted at the meeting and the results of the voting; and
- (V) other matters that should be explained and recorded in the minutes of meeting.

**Article 22** The results considered and discussed in the meeting of the Audit Committee shall be reported to the Board in writing.

**Article 23** Members who attend the meeting of the Audit Committee shall undertake confidentiality obligations for all items discussed at the meeting and shall not disclose relevant information without authorization.

**Article 24** The convening procedure, discussion methods and the resolutions approved in the meeting of the Audit Committee shall comply with the relevant laws and regulations, the relevant regulatory rules of the listing place such as the Hong Kong Listing Rules and the requirements of the Articles of Association and these terms of reference.

## CHAPTER V SUPPLEMENTAL PROVISIONS

**Article 25** Unless otherwise defined, the expression of “over” referred to in these terms of reference shall include the figure mentioned; the expression of “more than” shall not include the figure mentioned.

**Article 26** These terms of reference have Chinese and English versions and the Chinese version shall prevail.

**Article 27** Unless otherwise stated, technical terms used in these terms of reference shall have the same meaning as they appear in the Articles of Association.

**Article 28** These rules are approved by the Board and shall become effective upon the date of listing and trading of the overseas listed foreign shares (H Shares) under the initial public offering of the Company on the Stock Exchange of Hong Kong Limited. Any amendments to these rules shall be proposed by the Audit Committee, and shall become effective upon the approval by the Board.

**Article 29** For those matters which have not been covered in these terms of references, it shall be implemented in accordance with the applicable and the relevant laws and regulations, the relevant regulatory rules of the listing place such as the Hong Kong Listing Rules and the requirements of the Articles of Association; if there are conflicts between these terms of reference and the applicable laws and regulations promulgated in the future, the relevant regulatory rules of the listing place such as the Hong Kong Listing Rules or the requirements of the Articles of Association amended by legal procedure, it shall be implemented in accordance with the relevant laws and regulations, the relevant regulatory rules of the listing place such as the Hong Kong Listing Rules and the requirements of the Articles of Association, and it shall be amended in a timely fashion.

**Article 30** These terms of reference shall be interpreted and revised by the Board.