



**中國通信服務**  
CHINA COMSERVICE

中國通信服務股份有限公司

**CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 552)

## **AUDIT COMMITTEE CHARTER OF CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED**

### **Section 1 General Provisions**

#### Article 1 Objective

Pursuant to the applicable laws, regulations and listing rules of the PRC and the place where the shares of China Communications Services Corporation Limited (the "Company") are listed, and the Company's internal rules and regulations, the Company's Board of Directors (the "Board") sets up the Audit Committee (the "Committee" unless otherwise indicated) and creates this Charter accordingly.

#### Article 2 Status and Principle of the Committee

The Committee members are appointed by over 50% affirmative votes of the Board. The Committee report to the Board regularly.

The principle of the Committee is to take its full duty to comply with the applicable regulations, reasonably safeguard the Company's best interest and fairly protect the interests of all shareholders, especially the interests of minority shareholders.

#### Article 3 Structure and Qualifications of the Committee

The Committee consists of three or more members. The Board may change such number when it deems necessary, provided that the minimum requirement by the applicable regulatory rules is met.

A majority of the Committee members shall be independent non-executive directors and:

- (1) shall have no material affiliations with the Company;
- (2) shall be in compliance with the requirement of "independency" by the applicable regulatory rules;
- (3) shall have expertise in area like finance , accounting and audit and at least one of Committee members who should have an appropriate professional qualification which met the relevant regulatory requirement, or shall possess adequate knowledge in accounting or relevant financial management.

A former partner of the Company's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of his ceasing (whichever is the later):

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

#### Article 4 Term of the Committee Members

The term of the Committee member shall be the same as that of the Board, and the appointment may be renewed.

Any Committee member, who ceases to be independent non-executive director of the Company, shall be automatically removed from the Committee, and the vacancy shall be filled pursuant to the applicable rules of the Company.

In the event that any Committee member resigns, or is removed by more than half of the Board's votes, or ceases to act as an independent non-executive director, the Board may terminate his or her term before its expiration.

When change in Committee member also involves change in the Board member, such change shall follow the procedures for changing Directors pursuant to the Articles of Association to get the approval of the shareholders' general meeting and make a public announcement accordingly in accordance with the applicable regulatory rules.

#### Article 5 Resignation of the Committee Members

Should any Committee member resign before his or her term terminates, such member shall submit to the Board through the Secretary of the Board a written resignation three months in advance, in which detailed explanations shall be given.

Should any Committee member lose his or her position in the Committee due to his or her resignation from the position of an independent non-executive director, the regular resignation procedures for the Committee members is not necessary. Upon his or her resignation from the position of an independent non-executive director pursuant to the resignation procedures for the independent non-executive director, his or her position of a Committee member shall be automatically removed.

### **Section 2 Operation and Procedures of the Committee**

#### Article 6 Committee Meetings

The Committee shall hold at least two meetings every year. Should the Company's external auditor deem necessary, it may request the Committee to hold a special meeting. A Committee meeting may not be held unless attended by more than half of the members. It may also be held by a telephone conference or other telecommunications means.

#### Article 7 Written Resolutions

The Committee may replace the meeting with the written resolutions, and adopt resolutions by written votes without a meeting in person. The written resolution takes effect when the meeting materials are delivered to all members and affirmatively voting members reach the legitimate quorum for passing such resolution.

#### Article 8 Convening and Chairing of Meetings

Committee meetings shall be convened by Committee members themselves and the Secretary of the Board can assist them to convene the meetings. The Secretary of the Board may authorize the Office of the Board to assist in the specific arrangement of convening and preparation for such meetings.

The notice for a Committee meeting shall be delivered to each member fourteen days prior to such meeting. The related agenda and documents for the meeting shall be delivered to each member three days prior to such meeting.

The Chairman of the Committee should in charge of the meeting. If the Chairman cannot attend the meeting, the attending members shall elect a chairman in charge of the Committee meeting.

#### Article 9 Resolutions

The passing of any resolution of the Committee meeting shall require over 50% affirmative votes of the Committee, with each member having one vote.

The voting of the Committee meeting may be taken by hands or by poll.

Any resolution of the Committee meeting shall be in written form and executed by attending members.

#### Article 10 Minutes

A Committee meeting shall have complete and truthful minutes. The Office of the Board shall be in charge of the minutes of the Committee meetings. The draft of the minutes shall be available to all members within a reasonable time after the meeting for their review and execution. The Secretary of the Board shall retain the original copies of the minutes.

#### Article 11 Non-voting Attendance

When it deems necessary, the Committee may invite the Company's management and other Directors to attend a Committee meeting with no voting right.

#### Article 12 Ancillary Organ of the Committee

The Office of the Board shall coordinate and support the routine operation of the Committee.

### **Section 3 Duties and Obligations of the Committee**

#### Article 13 Primary Duties of the Committee

The Committee is mainly responsible to assist the Board to supervise on the following matters:

- (1) the truthfulness and integrity of the Company's financial statements;
- (2) the qualifications, independence and performance of the external auditor;
- (3) the effectiveness and integrity of the internal control system;
- (4) the performance of the internal audit department;

- (5) any other duties authorized by the Board; and
- (6) any supervisory duties authorized by the regulatory organizations.

The Committee has the right to request from the Company's management any necessary documents and materials for the performance of its duties or explanations on any issues the Committee is concerned about.

#### Article 14 Supervision of Issues Relating to Financial Statements

The Committee shall review issues relating to the financial statements pursuant to the applicable regulatory requirements. The Committee shall examine the integrity of the financial statements, annual reports and accounts, interim reports and quarter reports (if applicable), review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

- (1) any changes in accounting policies and practice;
- (2) major judgment 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 Listing Rules and legal regulations in relation to financial reporting.

The Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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 auditor.

To perform obligations hereunder, the Committee members should liaise with the Board, senior management and the Committee must meet with the Company's external auditor at least twice a year.

The reports of the Committee shall make appropriate disclosure of the performance of above duties in supervision of financial statements as requested by the regulatory authorities.

### Article 15 Supervision of External Independent Auditor

The Committee shall supervise the following aspects of external auditor as regulated to ensure the objectiveness of the financial statements:

- (1) it shall 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;
- (2) it shall 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 commences;
- (3) it shall supervise the performance of the external auditor, listen to and review any written report furnished by the external auditor as legally required;
- (4) it shall be responsible for the resolution of disagreements between management and the external auditor regarding the financial reports;
- (5) it shall 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed. The Committee may authorize 1 or 2 members to pre-approve any aforesaid audit or non-audit services, which, however, is subject to the approval of the next meeting of the Committee;
- (6) it shall be responsible for making policies regarding the recruitment of existing or former partners, employees of the external auditor into the Company;
- (7) it shall act as the key representative body for overseeing the Company's relations with the external auditor; and
- (8) it shall be responsible for other overseeing duties as regulated.

Pursuant to the Article of Association of the Company, any proposal about appointment and removal of the external auditor is subject to the approval by votes on the shareholders' general meeting, provided that the Committee shall make recommendations of any external auditor to the general meeting.

#### Article 16 Supervision Duties of the Risk Management and Internal Control

The Committee shall review the risk management and internal control procedures and supervise the implementation thereof, namely:

- (1) review the Company's systems in area such as financial controls, internal control and risk management system and supervise their implementation;
- (2) discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective system. 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;
- (3) consider major investigations findings on the risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (4) 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;
- (5) review and evaluate the financial and accounting policies and practices;
- (6) 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;
- (7) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (8) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, 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;
- (9) report to the Board on the matters in the Listing Rule; and
- (10) consider other topics, as defined by the Board.

The Committee is entitled to inquire about the following issues to Chief Executive Officer/President and Chief Financial Officer of the Company:

- (1) whether there is any significant deficiency in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data;
- (2) any weakness in internal controls;
- (3) any fraud, whether or not material, that involves management or employees who have a significant role in the Company's internal controls;
- (4) any significant changes in internal controls; or
- (5) other matters regulated by regulatory policies, laws and regulations.

#### Article 17 Supervision of Internal Auditing Matters

The Committee shall coordinate the functioning of internal audit function and external auditor; and procure adequate resources and status for internal audit function, and supervise the functioning of the internal audit department.

The Committee shall keep prompt and efficient communication with the management and internal audit department with regard to the internal audit matters.

#### Article 18 Supervision of Connected Transaction

The Committee shall examine the Connected Transaction report furnished by the management of the Company at least annually, and utter comments thereon.

#### Article 19 Preparation of the Committee Report

The Committee shall prepare and submit the Committee report to the Board, and disclose as such report in relevant reports (if applicable) as regulated.

#### Article 20 Authority to Engage Advisors

For the purpose of performing their duties, the Committee may engage independent legal advisors, certified accountants or other experts with regard to such issues as to recognizing potential conflict of interests, disclosure evaluation, other regulatory compliance, independent investigation of financial statements and compliance with securities regulations.

### Article 21 Duties of the Committee Members

Each of the Committee members shall diligently and efficiently perform his or her duties and exercise his or her rights, in accordance with the applicable regulatory provisions and this Charter, including but not limited to:

- (1) be conscientious, reasonably safeguard the best interests of the Company, fairly protect the interests of all shareholders, especially the interests of minority shareholders;
- (2) attend the Committee meetings in person, or authorize other members to attend on his or her behalf by written proxy, which shall state the scope of authorization, when he or she is unable to attend; and
- (3) carefully review any documents and resolutions submitted to the members.
- (4) keep adequate and effective communication with the management, internal audit department and external auditor.

## **Section 4 Compensation and Budget of the Committee**

### Article 22 Compensation of the Committee

The compensation of the Committee shall be determined and approved by the Board and can be paid in form of cash, stock or options. The Committee members shall not directly or indirectly receive from the Company any consulting fees, advising fees or any other compensation, except for:

- (1) compensation received as a Director (including any compensation and other benefits paid to all Directors) and compensation received as an employee;
- (2) compensation for a position in any committee under the Board; or
- (3) pension or other deferred compensation for the service that a Director has provided (provided that such compensation is not contingent upon any other service that a Director had to provide in any way in the future).

### Article 23 Budget of the Committee

For the performance of its duties, the Committee shall have its necessary budget and other resources which shall be borne by the Company, including:

- (1) expenses paid to external auditor in respect of area like auditing, reviewing or examination;
- (2) total expenses relating the appointment of any external advisors; and

- (3) all necessary or appropriate administrative expenses for the Committee to perform its duties.

## **Section 5 Appendix**

### Article 24 Validity and Interpretation

This Charter shall take effect upon the adoption by a Board resolution and the Board is responsible for the interpretation of this Charter. Any issue not covered hereunder shall follow the applicable regulatory provisions and the Articles of Association of the Company.

### Article 25 Amendment and Termination

Any amendment or termination of this Charter is subject to the Board's resolution.