



潤 迅 通 信 國 際 有 限 公 司

**China Motion Telecom International Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 989)

## **AUDIT COMMITTEE TERMS OF REFERENCE**

(Adopted by the Board of Directors on 20 July 2005 and  
revised by the Board of Directors on 21 July 2009)

### **Constitution**

1. The Board hereby acknowledges the formal establishment of a Committee of the Board known as the Audit Committee on 26 September 1996.

### **Membership**

2. The members of the Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of a minimum of three (3) members;
3. Majority of members of the Committee should be independent non-executive directors, at least one of whom shall have appropriate professional qualifications or accounting or related financial management expertise;
4. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director; and
5. A former partner of the Company's existing external auditors shall not be a member of the Committee for the period of one year after ceasing to be a partner or ceasing to have a financial interests.

### **Attendance at meetings**

6. The Chairman of the Board, the Finance Director or Executive Vice-President, the head of Internal Audit, or any other person(s) occupying such positions(s), and representative(s) of the external auditors are normally invited to attend meetings. Other members of the Board or any other person it deems appropriate may also be invited by the Committee to attend the meetings;
7. The Committee shall meet with external and internal auditors at least once a year without other executive Board members present; and

8. The company secretary or any person assigned by the Chairman of the Committee shall be the secretary of the Committee.

#### **Frequency of meetings**

9. Meetings shall be held not less than twice (2) a year and at such other times as the Chairman of the Committee shall require; and
10. The external auditors may request a meeting if they consider that one is necessary.

#### **Procedures of meetings**

11. Notice of meeting shall be given at least 14 days prior to such meeting to be held, unless all Members unanimously agree to waive such notice;
12. The quorum necessary for the transaction of the business of the Committee shall be two;
13. The members of the Committee may participate in any meetings either in person or by means of a conference telephone or other electronic means of communications;
14. The secretary of the Committee shall record the minutes of the meeting of the Committee in sufficient details the matters considered by the Committee and decisions reached and any concerns raised by any members including dissenting views. Draft and final versions of the minutes of the meetings should be circulated to all members of the Committee for comment and records respectively, in both cases within a reasonable time after the meeting;
15. Written resolutions signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held;
16. Minutes of the meetings and written resolutions of the Committee shall be kept by the secretary of the Committee and such minutes and written resolutions shall be open for inspection at any reasonable time on reasonable notice by any member of the Committee or any director of the Company; and
17. Unless otherwise provided herein, the meetings and proceedings of the Committee shall be governed by the provisions of the Company's Bye-laws for regulating the meetings and proceedings of the Board.

#### **Annual General Meeting**

18. The Chairman of the Committee or in the absence of the Chairman, another member of the Committee or failing this his duly appointed delegate, shall attend the Company's annual general meeting and be prepared to answer questions of the shareholders on the Committee's activities thereat.

## **Authority**

19. 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 are directed to co-operate with any request made by the Committee;
20. The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
21. The Committee shall be provided with sufficient resources to discharge its duties.

## **Duties**

22. The duties of the Committee shall be:

### *Relationship with the Company's external auditors*

- (a) to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.
- (c) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences; and
- (d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

*Review of financial information of the Company*

- (e) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Committee should focus particularly on :-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgment areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and any other legal requirements in relation to financial reporting;
- (f) In regard to (e) above :-
  - (i) members of the Committee must liaise with the Company's board of directors and senior management and the Committee must meet, at least once a year, with the Company's auditors; and
  - (ii) the Committee should consider any significant or unusual terms that are, or may need to be, reflected in such reports and accounts and must 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 person occupying the same position) or auditors;
- (g) 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 of the Company where necessary);

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

- (h) to review the Company's financial controls, internal control and risk management systems;
- (i) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

- (k) 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 the effectiveness of the internal audit function;
- (l) to review the group's financial and accounting policies and practices;
- (m) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (n) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (o) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in the financial reporting, internal control or other matters;
- (q) to report to the Board on all of the above matters; and
- (r) to consider other matters, as defined by the Board.

### **Reporting procedures**

- 23. The Committee shall regularly report to the Board concerning its activities and all the matters set out above or any other matters as set out in the code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules; and
- 24. The secretary of the Committee shall circulate the minutes of meetings or written resolutions and reports of the Committee to all members of the Committee as well as of the Board after the meeting.

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

- 25. The Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board, at the Company's website.