

**HKT LIMITED (“HKT” or the “Company”)**

*(incorporated in the Cayman Islands with limited liability)*

(together with the HKT Trust (Stock Code: 6823))

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**Revised and Approved by the Board of Directors of the Company on 18 November 2015 and Effective for Accounting Period Beginning on 1 January 2016**

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***Constitution***

1. The Board of the Company (the “Board”) resolved on 11 October 2011 to establish a committee of the Board known as the Audit Committee (the “Committee”) with effect from the listing date of the HKT Trust and the Company.

***Objective and Role***

The responsibilities of the Committee shall include but not limited to assisting the Board in fulfilling its responsibilities, through review and supervision in ensuring:

2. the objectivity and credibility of financial reporting, and that in presenting results to the holders of Share Stapled Units, the directors have exercised the care, diligence and skills prescribed by law;
3. the effectiveness of the risk management and internal control systems of the Company and its subsidiaries (the “HKT Group”) in accordance with relevant laws and regulations;
4. maintenance of an appropriate relationship with the external auditors of the HKT Group; and
5. good corporate governance standards and practices within the HKT Group.

***Membership***

6. The Committee shall consist of at least three members who shall be appointed by the Board. Each member shall be a non-executive director of the Company. There shall be at least one member of the Committee who is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The majority of the members must be independent non-executive directors of the Company. For those members who are independent non-executive directors, they have to satisfy the “independence” requirements as required by the Listing Rules.
7. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director of the Company.

***Attendance at Meetings***

8. The Committee may invite any appropriate person to attend meetings of the Committee as it considers appropriate, including the Group Chief Financial Officer, the Head of Group Internal Audit, representative(s) of the external auditors and other Board members. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.
9. The Company Secretary of the Company or his or her nominee shall be the Secretary of the Committee.

### ***Frequency of Meetings***

10. Meetings shall be held at least twice a year and at such other times as the Committee determines is appropriate to carry out its responsibilities. The external auditors may request a meeting if they consider that one is necessary.

### ***Authority***

11. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
12. The Committee is authorized by the Board to delegate to one or more designated members of the Committee the authority to grant the approvals contemplated by Paragraph 16(d) below, provided the Committee is informed of each service approved under this delegated authority at its next scheduled meeting.
13. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance at meetings of the Committee of outside advisers with relevant experience and expertise if it considers this necessary.
14. The Committee shall have available appropriate funding from the Company, as requested by the Committee, for (i) remuneration of the external auditors and any other accounting firm appointed pursuant to Paragraph 16(a) below, as applicable and to the extent permitted by law; (ii) remuneration of any advisers employed by the Committee and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
15. The Committee may authorize any one or more of its members or the Chairman of the Committee to take any action (subject to applicable legal or regulatory requirements) and may impose any regulations upon such authorized person(s), when it deems appropriate and in the best interests of the HKT Group.

### ***Duties***

16. The duties of the Committee shall be:
  - a) in accordance with any applicable legal or listing requirements and to the extent permitted by law, (i) to be primarily responsible for the appointment, re-appointment and removal of the external auditor (or to make recommendations to the Board with respect to the foregoing, as applicable), (ii) to consider any questions of resignation or dismissal of the external auditor, (iii) to be responsible for or to approve, as applicable, the remuneration and terms of engagement of the external auditor, (iv) to be responsible for the oversight of the work (including resolution of disagreements between management and the external auditors regarding financial reporting) of the external auditors and any other accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and/or the HKT Group; the external auditors and any such other accounting firm shall, to the extent permitted by law, report directly to the Committee;
  - b) in connection with its oversight responsibilities, to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
  - c) to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, "external auditors" 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- d) to monitor and approve all audit and non-audit services which may be performed by the external auditors and any audit, review or attest services provided by any other accounting firm and to review any approval decisions made on the delegated authority of the Committee as contemplated by Paragraph 12 above at each of its scheduled meetings;
- e) to monitor the integrity of the Company, the HKT Trust and/or the HKT Group's financial statements, annual reports and accounts and half-year reports, and to review significant financial reporting judgements 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 audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- f) Regarding (e) above:-
  - (i) members of the Committee should liaise with the Board, senior management, the Group Chief Financial Officer and the Company's staff responsible for the accounting and financial reporting function and the Committee must meet, at least twice a year, with the external auditors;
  - (ii) the 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 Group Chief Financial Officer, the Company's staff responsible for the accounting and financial reporting function and, any compliance officer or external auditors; and
  - (iii) the Committee should discuss any problems or reservations arising from the interim and annual audits;
- g) to review the HKT Group's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the HKT Group's risk management and internal control systems;
- h) 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 HKT Group's accounting, internal audit, and financial reporting functions;
- i) 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;
- j) 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 HKT Group, and to review and monitor its effectiveness;
- k) to ensure co-ordination among audit firms where more than one audit firm is involved;
- l) to review the HKT Group's financial and accounting policies and practices;
- m) to review the external auditors' management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response;
- n) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

- o) to ensure good corporate governance standards and practices including the following corporate governance functions are maintained:
  - (i) to review the Company's established policies and practices on corporate governance and make recommendations to the Board;
  - (ii) to review and monitor the training and continuous professional development of directors and senior management;
  - (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - (iv) to develop, review and monitor the Company's code of conduct and compliance manual (if any) applicable to directors and employees; and
  - (v) to review the Company's compliance with the Corporate Governance Code set out in the Listing Rules (the "Code") and disclosure in the corporate governance report of the Company's annual report;
- p) to establish procedures and systems for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing or other matters; and the confidential, anonymous submission by employees of concerns regarding questionable accounting, auditing or other matters;
- q) to review the Company's established whistleblowing policy and system for employees of the HKT Group and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company;
- r) to produce and approve disclosure statements in relation to the Committee and its work as required by applicable laws and rules where necessary; and
- s) to consider other topics, as defined by the Board.

The above duties extend to the HKT Group and / or subsidiaries of the Company where applicable and / or necessary as required by applicable laws and rules.

### ***Meeting Procedures***

- 17. The meetings and proceedings of the Committee shall be governed by the provisions of the Company's Articles of Association for regulating the meetings and proceedings of the Board, except as otherwise determined by the Board from time to time.
- 18. The quorum for meetings shall be two members of the Committee.
- 19. The Committee shall meet with the external auditors at least twice a year.

### ***Reporting Procedures***

- 20. The Committee shall report to the Board concerning its activities and the matters set out in the relevant code provisions of the Code, either orally or in writing, at regular meetings of the Board or at other times or occasions where necessary.
- 21. The Secretary of the Committee shall arrange to distribute the minutes of meetings / written resolutions of the Committee to the Board members.

### ***Frequency of Review***

- 22. This Terms of Reference should be reviewed on an annual basis and when necessary, can be revised by the Board from time to time.