

# CHINA FIBRE OPTIC NETWORK SYSTEM GROUP LTD.

中國光纖網絡系統集團有限公司

*(a company with limited liability incorporated the Cayman Islands)*

## CORPORATE GOVERNANCE COMMITTEE

### TERMS OF REFERENCE

#### Establishment

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the board of directors (the “**Board**”) of China Fiber Optic Network System Group Ltd. (the “**Company**”) has adopted terms of reference of the Corporate Governance Committee (the “**Committee**”) in accordance with such code.

#### Objectives

The Committee, under the supervision of the Board, is responsible for introducing, proposing and monitoring relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company and its subsidiaries (the “**Group**”). In addition, the Committee is charged to monitor and ensure timely communication of price sensitive information by the Board to the Group’s stakeholders.

#### Membership

1. The Committee shall consist of three members consisted of the Company’s chief financial officer (who is also an executive director with sufficient knowledge of the issuer’s day-to-day operations) and two independent non-executive directors who have extensive experience as director of Hong Kong listed companies.
2. The Chairman of the Committee shall be appointed by the Board from amongst the members of the Committee.
3. The Secretary of the Committee shall be appointed by the Committee from amongst the members of the Committee. The Secretary of the Committee shall be responsible for dispatching notice of meeting to the members of the Committee, taking minutes at the meetings, circulating the minutes to the members present at the meetings for signature, keeping the minutes thereof for records and copying the minutes to the Company Secretary.
4. The members of the Committee shall have the obligation to keep all matters discussed by the Committee confidential and cannot release any related information to outsiders without the Committee’s permission.

## **Meetings**

1. The quorum of the Committee shall be two. Each member shall be entitled the right of one vote. Any resolution of the Committee meeting shall require a majority of vote.
2. The Committee shall meet regularly and Committee meetings shall be held at least four times a year.
3. Seven days' notice shall be given to the Committee members before each meeting (except for special circumstances).
4. All meetings shall be chaired by the Chairman of the Committee. In the event of his absence, he may assign another member to chair the meeting on his behalf.
5. Agenda of Committee meeting and accompanying meeting papers should be sent to all committee members at least 3 days before the intended date of the meeting (except for special circumstances).
6. Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised or dissenting views expressed by members. Draft and final versions of the minutes of Committee meetings shall be sent to all committee members for comments and records respectively, in both cases within a reasonable time after the Committee meeting is held.

## **Authority**

1. The Committee is authorized by the Board to investigate any activities within the scope of its terms of reference and obtain any information required from relevant parties to facilitate its understanding of the issue.
2. The Committee is authorized by the Board, subject to prior discussion in particular the costs, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

## **Duties**

The duties of the Committee shall be:

1. To develop and review the Company's policies and practices on corporate governance and make recommendations to the board.
2. To oversee the provision of extensive and ongoing training on Listing Rules and corporate governance matters to all the directors, senior management and the finance staff of the Group.

3. To review and monitor the Group's policies and practices in compliance with legal and regulatory requirements including, but not limited to, Chapter 13 (Continuing Obligations) of the Listing Rules, Appendix 14 (Code on Corporate Governance Practices) to the Listing Rules and the Guide on Disclosure of Price Sensitive Information published by the Hong Kong Stock Exchange.
4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.
5. To work closely with the Board, the external consulting firm, the compliance advisor and the Company's legal advisors to adopt a compliance program for the Group, and to implement new policies and protocols to oversee conducts of all employees, including directors and senior management. Such compliance program is to provide a mechanism for the anonymous reporting of suspected misconduct, complaints and concerns regarding the handling of accounts and other matters;
6. To review the issuer's compliance with the Code and disclosure in the corporate governance report section of its financial statements;
7. To monitor and ensure timely communication of price sensitive information by the Board to the Group's stakeholders, the Corporate Governance Committee shall:
  - (a) On a quarterly basis and in writing, request each director and senior management to review the Listing Rules, in particular Chapter 13 (Continuing Obligations), Appendix 14 (Code on Corporate Governance Practices) and the Guide on Disclosure of Price Sensitive Information published by the Hong Kong Stock Exchange.
  - (b) Oversee the preparation, update and implementation of a Continuous Disclosure and Communication Policy and a Materiality Guidelines for all directors and senior management's reference.
  - (c) Mandate the Company Secretary to review the Continuous Disclosure and Communication Policy and Materiality Guidelines periodically and make recommendations on amendments thereto, if necessary, in order to ensure their effectiveness in making accurate, balanced and timely disclosure of information in accordance with the Group's disclosure obligations in the changing regulatory environment.
  - (d) Mandate the Company Secretary to provide a clear and direct communication channel for each director and senior management to inquire and report potential price sensitive and other disclosable transactions and events, including potential litigation.
  - (e) Oversee the preparation, update and implementation of an Escalation and Incident Reporting Policy setting out the manner in which relevant incidents are escalated and reported to various levels within the Group.

- (f) Collaborate with the Audit Committee to consider the effectiveness of the Audit Committee's work on a periodic basis (i.e. once a year) to ensure that sound corporate governance measures are in place to prevent money laundering and the mishandling of cash and bank accounts.
  - (g) Corroborate with the Audit Committee to establish a Whistle-blowing Policy and a confidential communication channel to facilitate internal reporting by employees on any illegal, improper and irregular behaviors directly to the chairman of the Audit Committee without fear of reprisal or victimization.
  - (h) Corroborate with the Audit Committee to oversee the internal audit department to perform regular review on relevant procedures and protocols for ensuring proper compliance on the Continuous Disclosure and Communication Policy, Materiality Guidelines, Escalation and Incident Reporting Policy and Whistle-blowing Policy by directors and senior management.
  - (i) To implement policies for all employees to report any litigation or significant matters to the Board which will discuss such litigation and/or significant matters to ensure timely and appropriate disclosure of such matters to the relevant authorities and the public.
8. To perform other duties delegated by the Board from time to time.

### **Reporting Procedures**

The Committee report directly to the Board on its decisions or recommendations by way of minutes (in written form) after the Committee quarterly meeting has been held, unless there are legal or regulatory restrictions on the Committee's ability to do so (such as a restriction on disclosure due to regulatory requirements).

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