



中國信息科技發展有限公司

**China Information Technology Development Limited**

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

**(Stock Code: 8178)**

(the “Company”)

## **TERMS OF REFERENCE FOR AUDIT COMMITTEE**

### **1. Members**

- 1.1 Members of the audit committee (the “Committee”) shall be appointed by the board of directors (the “Board”) of the Company. The Committee shall consist of not less than three members and at least one member shall have the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). A majority of members of the Committee shall be independent non-executive directors of the Company (the “INED”).
- 1.2 The Chairman of the Committee (the “Chairman”) shall be appointed by the Board and should be acted by an INED. In the absence of the Chairman, members present may elect any member (who should be an INED) to conduct the meeting.
- 1.3 A former partner of the Company’s existing auditing firm (the “Firm”) is prohibited from acting as a member of the Committee for a period of 1 year commencing on the date of his ceasing:
- (a) to be a partner of the Firm; or
  - (b) to have any financial interest in the Firm,
- whichever is the later.

### **2. Quorum**

- 2.1 Two members shall form a quorum and at least one of which must be an INED.

### **3. Meetings**

- 3.1 Meetings of the Committee may be held as and when required or as requested by the Chairman. The Committee shall hold at least four meetings in a year. The Company’s external auditors may also request a meeting if they consider necessary.

- 3.2 A Committee meeting which is duly convened and at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretions vested in or exercisable by the Committee.
- 3.3 Members of the Committee may adopt from time to time the procedures governing the convening of the Committee meetings and the means and procedures for the passing of resolutions at Committee meetings.
- 3.4 The Committee should meet, in the absence of management, with the Company's external auditors at least twice a year.
- 3.5 The Chairman may invite any members of the management, division heads, head of Internal Audit and representative of the Company's external auditors to attend Committee meeting if he considers necessary and with suitable reasons.
- 3.6 The company secretary of the Company or his delegate or such other person appointed by the Chairman shall be the secretary of the Committee (the "Secretary").

#### **4. Minutes of Meetings**

- 4.1 Minutes of the Committee shall be kept by the Secretary. Draft and final versions of minutes of the Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.

#### **5. Responsibilities**

The Committee shall:

##### ***5.1 Oversight of the Company's Financial Reporting System, Risk Management and Internal Control Systems***

- (a) to review the Company's financial controls, and its risk management and internal control systems;
- (b) 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 Company's accounting and financial reporting function;
- (c) 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;

- (d) 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;
- (e) to review the Company and its subsidiaries' financial and accounting policies and practices;
- (f) to 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to review the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls 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;
- (i) to report to the Board on the matters in the code provision under C.3 in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules; and
- (j) to consider other topics, as defined by the Board.

## **5.2 *Review of the Company's Financial Information***

- (a) to monitor integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and

- compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.

(b) regarding 5.2(a) above:

- Committee members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditor; and
- 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 Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor.

### **5.3 Relationship with the Company's Auditor**

- (a) to 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to 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; and
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor.

## **6. Reporting responsibilities**

- 6.1 The Committee should regularly update the Board about its activities and any matters that may significantly impact on the financial condition or affairs of the business and make appropriate recommendations.

## **7. Authorities**

- 7.1 The Committee is authorised by the Board to deal with matters within the terms of reference and has authority to enquire and seek relevant information from any employees and to request for their full co-ordination.
- 7.2 The Committee is provided by the Board with sufficient resources to perform its duties including authorisation to obtain legal or other independent professional advices from outsiders at the Company's expenses and to secure the attendance of these outsiders if it considers necessary.

## **8. Others**

- 8.1 This terms of reference has been prepared bilingually in English and Chinese, and both versions have equal status and same effect.

*(Revised on 31 December 2015)*