



# 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)*

(the “Company”) (Stock Code: 08178)

## TERMS OF REFERENCE FOR AUDIT COMMITTEE

*(Adopted by the Company on 23 December 2022 in replacement of the terms of reference of the Committee adopted on 31 December 2018)*

### 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 GEM 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 an INED. In the absence of the Chairman, members present may elect an INED member 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 2 years 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. Secretary of the Audit Committee

- 2.1 The company secretary of the Company shall be the secretary of the Audit Committee (the “Secretary”)
- 2.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience to act as the secretary of the Committee.

### 3. Meetings and the proceedings

- 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, the Board or any members of Committee may 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 The Committee should meet, in the absence of management, with the Company's external auditors at least twice a year.
- 3.4 The Chairman may invite any members of the management, division heads, representative of internal audit function and representative of the Company's external auditors to attend Committee meeting if he/she considers necessary.
- 3.5 Meetings of the Committee may be held either in person, by telephone or through electronic means of communication as the members may agree.
- 3.6 Save as otherwise provided herein expressly, proceedings of meetings of the Committee shall be governed by the provision of the articles of association of the Company for regulating the proceedings of meetings of the Board *mutatis mutandis*.
- 3.7 Resolutions of the Committee shall be passed with a simple majority of votes. A resolution in writing signed by all members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee.

Minutes of the Committee meetings shall be kept by the Secretary and shall be available for inspection by any member of the Committee and/or any director of the Company at any reasonable time on reasonable notice. Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comments and records within a reasonable time after the meeting. Once the minutes are agreed, the Secretary shall circulate the minutes and reports of the Committee to all members of the Board.

- 3.8 Meetings of the Committee may be held either in person or through electronic means of communication as the members may agree.

## 4. Responsibilities

The Committee shall:

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

- (a) review the Company's financial controls, and its risk management and internal control systems;
- (b) 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) 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) review the Company and its subsidiaries' financial and accounting policies and practices;
- (f) 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) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) 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) report to the Board on the matters in the code provision under D.3 in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and keep the Board fully informed of its decisions and recommendations;
- (j) establish a whistleblowing policy and system for employees 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 and ensure impartial and independent investigation of the following matters:–
  - i. to receive and handle complaints about the Company’s accounting, internal control or auditing and ensure their confidentiality;
  - ii. to receive and handle the complaints or anonymous whistleblowing by employees concerning the irregularities in the Company’s accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality;
  - iii. to receive and handle the complaints or anonymous whistleblowing by customers and suppliers concerning the irregularities in the Company’s accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality; and
- (k) consider other topics, as defined by the Board.

#### 4.2 *Review of the Company’s Financial Information*

- (a) 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 4.2(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 external 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.

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

- (a) 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) 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) 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) act as the key representative body for overseeing the Company's relations with the external auditor.

## 5. **Reporting responsibilities**

- 5.1 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.

## **6. Authorities**

- 6.1 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.
- 6.2 The Committee is provided by the Board with sufficient resources to perform its duties. Where necessary, the Committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.
- 6.3 The authorities of the Committee shall include such authorities set out in the relevant code provisions of the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (as amended from time to time).
- 6.4 The Committee is authorized by the Board to seek any information it requires from the management of the Company in order to perform its duties.

## **7. Annual general meeting**

- 7.1 The chairman of the Committee or in his/her absence, another member of the Committee or failing this, his/her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's work and its responsibilities.

## **8. Amendment**

- 8.1 Subject to the compliance with the articles of association of the Company and the Listing Rules, any amendment to these terms of reference shall be authorized by the Board.

## **9. Publication**

- 9.1 The Committee shall make available these terms of reference by publishing them on the websites of The Stock Exchange of Hong Kong Limited and the Company.

## **10. Others**

- 10.1 If there is any inconsistency between English and Chinese version of this term of reference, the English version shall prevail.