

# CHINA INFORMATION TECHNOLOGY, INC.

## BOARD CHARTER

### 1. Introduction and Purpose

- 1.1 The primary objective of the Board of Directors (“**Board**”) of China Information Technology, Inc. (the “**Company**”) is to build long-term shareholder value with due regard to other stakeholder interests. It does this by setting strategic direction and context, such as the Company’s mission, vision and values, and focusing on issues critical for its successful execution such as staffing, performance and risk management.
- 1.2 The Board is also responsible for overseeing the Company’s corporate governance framework.
- 1.3 The purpose of this Board Charter is to promote high standards of corporate governance and to clarify the role and responsibilities of the Board.

### 2. Board Size and Composition

- 2.1 The Memorandum and Articles of Association of the Company provides that there will be a minimum of one (1) Director and a maximum number to be determined from time to time by resolution of directors.
- 2.2 The Board should comprise;
  - a) Independent non-executive directors;
  - b) Directors with an appropriate range of skills, experience, and expertise;
  - c) Directors who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and
  - d) Directors who can effectively review and challenge the performance of management and exercise independent judgment.
- 2.3 An independent non-executive director is independent of management and free of any significant business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.
- 2.4 The Governance and Nominating Committee of the Board is responsible for the identification and recommendation of candidates for appointment to the Board.
- 2.5 Directors will be appointed pursuant to formal letters of appointment or agreements setting out the key terms and conditions of the appointment to ensure that Directors clearly understand the Company’s, and the Board’s expectations.

### **3. Board Accountabilities and Responsibilities**

The following accountabilities and responsibilities have been adopted by the Board:

#### **3.1 Strategy and Planning**

- a) Review strategic position, current strategies and alternative strategies.
- b) Define what constitutes a strategic and/or major project and capital expenditures.
- c) Approve strategic and/or major projects and capital expenditures.
- d) Review post-implementation assessments of those projects and capital expenditure audits.
- e) Approve 1-2 year operational plans and budgets.
- f) Review strategic planning processes and consider and approve changes.

#### **3.2 Staffing**

- a) Define required Board competencies and number and profile of Board members.
- b) Appoint Board members to fill any vacancies.
- c) Approve induction programs for new Board members and ongoing education programs.
- d) Ensure easy access to internal and external sources of information and advice.
- e) Manage performance of the Board as a whole and of the individual members.
- f) Select and appoint the Chief Executive Officer and other senior management of the Company.
- g) Review Chief Executive Officer performance and provide counseling and mentoring if and when required.
- h) Approve executive succession plans.

#### **3.3 Remuneration**

- a) Approve remuneration and contracts of Directors.
- b) Approve remuneration and contracts of the Chief Executive Officer and other senior management members.
- c) Approve employee share acquisition schemes and any other executive incentive schemes.

#### **3.4 Capital Management and Financial Reporting**

- a) Approve capital requirements and strategic allocation of the Company.
- b) Monitor and review the capital and solvency positions of the Company.
- c) Approve half-yearly accounts, full year accounts and Annual Report.
- d) Approve dividend policy and dividend payments.
- e) Approve major financial arrangements.

### 3.5 Performance Monitoring

- a) Approve relevant financial and non-financial Key Performance Indicators (KPI's) to be reported by management.
- b) Review KPI's monthly at a high level and exception based.
- c) Conduct a detailed quarterly KPI review with Chief Executive Officer and senior management.
- d) Consider and approve any action/remediation plans to be implemented.

### 3.6 Risk Management

- a) Review major risks the Company is likely to be exposed to.
- b) Review risk management resources, structures and processes and consider and approve changes.
- c) Approve risk management strategies.

### 3.7 Audit and Compliance

- a) Appoint external auditors and agree their remuneration.
- b) Define the scope of the external audit function.
- c) Review the control environment and audit and compliance resources, structure and processes and consider and approve changes.
- d) Approve the definition of significant audit and compliance issues.
- e) Review significant audit and compliance issues and consider and approve action and remediation plans.

### 3.8 Board Processes and Policies

- a) Approve the annual "board program"- comprising such matters as board meetings, agendas, venues, site visits, and meetings with executives, staff, customers, regulators, suppliers and other key stakeholders.
- b) Decide the role and composition of Board committees.
- c) Approve delegated authorities.
- d) Define and execute a policy dealing with conflicts of interest.
- e) Define codes of conduct including related-party transactions, share trading by Directors and employees and insider trading policy.
- f) Approve a disclosure policy and policies for communication with members, financial markets and regulators.
- g) Approve policies dealing with Director's liabilities, indemnities and insurance.

## 4. Board Committees

- 4.1 The Board may discharge any of its responsibilities through committees of the Board in accordance with the Company's Memorandum and Articles of Association and applicable law.

- 4.2 The Board has established the following Committees of the Board to consider certain issues and functions in more detail:
- a) An Audit Committee;
  - b) A Compensation Committee; and
  - c) A Governance and Nominating Committee.
- 4.3 In general, the Board has delegated the review of staff and remuneration matters to the Compensation Committee.
- 4.4 The review of capital management and financial reporting, risk management and audit and compliance matters has been delegated to the Audit Committee and Governance and Nominating Committee.
- 4.5 Each Committee shall adopt its own charter to be approved by the Board, setting out matters relevant to its composition and responsibilities. The charters will be reviewed periodically by the Board.

## **5. The Board and Management**

- 5.1 Responsibility for the day to day management and administration of the Company is delegated by the Board to the Chief Executive Officer, assisted by the executive team (“management”).
- 5.2 The Chief Executive Officer manages the Company in accordance with the strategy, plans and delegations approved by the Board.
- 5.3 The Board has implemented appropriate procedures to assess management’s performance.

## **6. Role of the Chairman**

- 6.1 The Chairman of the Board is appointed by the Directors.
- 6.2 The role and responsibilities of the Chairman include:-
- a) Providing leadership to the Board and to the Company;
  - b) Ensuring the efficient organization and conduct of the Board;
  - c) Monitoring Board performance annually;
  - d) Facilitating Board discussions to ensure core issues facing the Company are addressed;
  - e) Briefing all Directors in relation to issues arising at Board meetings;
  - f) Facilitating the effective contribution and ongoing development of all Directors;
  - g) Promoting consultative and respectful relations between Board members and between the Board and management; and
  - h) Chairing member meetings.

## **7. Responsibility of Individual Directors**

7.1 Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their responsibilities as Directors. Broadly these include:

- a) Acting in good faith and in the best interests of the Company as a whole;
- b) Acting with care and diligence and for proper purpose;
- c) Avoiding conflicts of interest wherever possible; and
- d) Refraining from making improper use of information gained through the position of Director and from taking improper advantage of the position of Director.

7.2 Directors are expected to support the letter and spirit of Board decisions.

7.3 Directors will keep Board information, discussions, deliberations and decisions that are not publicly known confidential and not use information gained through the Board for their, or their employers', interest.

## **8. Conflicts of Interest**

8.1 Directors must:

- a) Disclose to the Board (through the Secretary and/or Chairman) any actual or potential conflicts of interest which may exist or be thought to exist as soon as they become aware of the issue;
- b) Take any necessary and reasonable measures to try to resolve the conflict; and
- c) Comply with Company policies and applicable law provisions on disclosing interests and restrictions on voting.

8.2 Directors are expected to advise the Chairman of any proposed Board or executive appointment to other companies as soon as practicable.

## **9. Access to Information and Independent Advice**

9.1 Directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfill their responsibilities and permit independent judgment in decision making.

9.2 Directors will be entitled to:

- a) Access members of the senior management via the Chief Executive Officer at any time to request relevant and additional information or seek explanations;
- b) Have access to internal and external auditors, without management present to seek explanations or additional information;
- c) Seek independent professional advice with the Chairman's prior consent, which will not be unreasonably withheld or delayed, and which will be at the Company's expense.

## **10. Review of Board Performance**

10.1 Performance of the Board is to be reviewed annually by the Governance and Nominating Committee.

10.2 The evaluation will;

- a) Review the Board's role;
- b) Review Board processes and Committees to support that role; and
- c) Review the Board's performance.

10.3 A review of each Director's performance will be undertaken by the Governance and Nominating Committee prior to the Director standing for re-election.