



# **ITE (HOLDINGS) LIMITED**

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

**(Stock Code: 8092)**

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

*(Adopted by the Company pursuant to the Board resolution passed on 8 December 2005*

*and revised on 23 March 2012)*

### **1. Constitution**

The board (the “Board”) of directors (the “Directors”) of ITE (Holdings) Limited (the “Company”) have resolved to established a committee known as the Audit Committee (the “Committee”) pursuant to article 137 of the Articles of Association of the Company.

### **2. Objective and Role**

The Committee is responsible for reviewing and monitoring the financial reporting procedure and internal control of the Company.

### **3. Membership**

- 3.1 The Committee shall comprise a minimum of three independent non-executive Directors. The majority of the Committee members shall be independent non-executive Directors and at least one of whom is an independent non-executive Director possess appropriate professional qualifications or accounting or related financial management expertise.
- 3.2 The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive Director.
- 3.3 The Company Secretary or his or her nominee shall act as Secretary to the Committee and shall keep an appropriate record of its proceedings.

### **4. Frequency and proceedings of meetings**

- 4.1 The Committee should meet regularly and Committee meetings should be held at least four times a year. The Company’s external auditors may request that a meeting be held if they consider it necessary.
- 4.2 The quorum of the Committee meeting shall be two members.
- 4.3 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

## **5. Notice and Minutes of Meetings**

- 5.1 Unless otherwise agreed, notice of each meeting setting out the venue, time and date on which it is to be held, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee 14 days prior to the date of the meeting.
- 5.2 Committee members could include any matters in the agenda for regular Committee meetings.
- 5.3 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the members present. The Secretary shall minute the proceedings and resolutions of all Committee meetings. Minutes of Committee meetings should record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by members or dissenting views expressed.
- 5.4 Full minutes shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary). Draft and final versions of minutes shall be circulated to all members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be open for members' inspection.

## **6. Duties**

### ***Relationship with the Company's auditors***

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and to consider any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of an external auditors to supply non-audit services. For this propose, external auditors shall 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

### ***Review of financial information of the Company***

- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting;
- (e) in regard to (d) above:-
- members of the Committee must liaise with the Company's Board and senior management and the Committee must meet, at least once a year, with the Company's external auditors; and
  - the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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 auditors;

### ***Oversight of the Company's financial reporting system and internal control procedures***

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) where an internal audit function exists, to ensure coordination 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 the effectiveness of the internal audit function;
- (j) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (k) to review the external auditors' management letter, any material queries raised by the auditors to the management in respect of the accounting records, financial accounts or systems of control and the management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

- (m) to report to the Board on the matters set out in this terms of reference;
- (n) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board; and
- (o) to consider other topics, as defined by the Board;

***Others***

- (p) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and
- (q) to act as the key representative body for overseeing the Company's relation with the external auditor.

**7. Authority**

- 7.1 The Committee is authorized to seek any information it requires from any employee and all employees are directed to cooperate with any reasonable request made by the Committee.
- 7.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

**8. Reporting Responsibilities**

The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

**9. Annual General Meeting**

The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Committee's work and responsibilities.

*Note: If there is any inconsistency between the English and Chinese versions of this Term of Reference, the English version shall prevail.*