



**ETS GROUP LIMITED**

易通訊集團有限公司

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

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**TERMS OF REFERENCE  
OF  
AUDIT COMMITTEE**

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# **ETS GROUP LIMITED**

易通訊集團有限公司

(the “Company”)

## **Terms of Reference of Audit Committee**

### **1. Preamble**

- 1.1 ETS Group Limited (the "Company") was incorporated in Cayman Islands on 29 June 2011. Its shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited since 9 January 2012.
- 1.2 According to the principle set out in the Corporate Governance Code and the Corporate Governance Report (the “CG Code”) issued by The Stock Exchange of Hong Kong Limited in relation to audit committee:-
  - 1.2.1 The Company's board of directors (the “Board”) should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors.
  - 1.2.2 The audit committee should have clear terms of reference.
- 1.3 In order to bring this Terms of Reference of the audit committee of the Company (the “Audit Committee”) in line with the principles and code provisions of the CG Code, the Board has further revised this Terms of Reference on 5 November 2015 previously adopted by the Company as set out herein.
- 1.4 The Board is responsible for establishing an audit committee, and for defining its responsibility and the Audit Committee shall be responsible on behalf of the Board for:-
  - 1.4.1 ensuring an effective system of internal control and compliance matters;
  - 1.4.2 overseeing the integrity of the financial statements of the Company;
  - 1.4.3 the selection, oversight and remuneration of the Company’s auditors;
  - 1.4.4 the assessment of independence and qualification of the auditors;
  - 1.4.5 the oversight of the performance of Company’s internal and external auditors; and
  - 1.4.6 the corporate governance functions of the Company.
- 1.5 The Board will receive and consider the reports and recommendations from the Audit Committee for approval.

## **2. Purpose of the Audit Committee**

2.1 The Audit Committee shall be responsible for:-

### Relationship with the Company's auditors

- 2.1.1 considering, and be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 2.1.2 reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards;
- 2.1.3 discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensuring co-ordination where more than one audit firm is involved;
- 2.1.4 developing and implementing 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 Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

### Review of the Company's financial information

- 2.1.5 reviewing and monitoring the integrity of the Company's financial statements and the annual report and accounts of the Company's half-year report and quarterly reports, and reviewing significant financial reporting judgments contained in them, before submission to the Board, focusing particularly on:-
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.regarding the above, members of the Audit Committee shall liaise with the Board, senior management, Secretary and the Internal Audit Manager, if any, of the Company, and must meet at least twice a year with the Company's auditor;
- 2.1.6 considering any significant or unusual items that are, or may need to be, reflected in the report and accounts and must giving 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 of the Company;

Oversight of the Company's financial controls, internal control and risk management systems

- 2.1.7 Reviewing the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- 2.1.8 discussing the risk management and internal control systems with management and ensuring that management has performed its duty to have effective systems. This discussion includes the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 2.1.9 considering major investigations and findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- 2.1.10 ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- 2.1.11 reviewing the financial and accounting policies and practices of the Company and its subsidiaries (collectively the "Group");
- 2.1.12 reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and the management's response;
- 2.1.13 ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 2.1.14 reporting to the Board on the matters set out herein and, in particular, the matters required to be performed by the Audit Committee under the CG Code as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules");
- 2.1.15 considering and dealing with other matters delegated by the Board from time to time;

Corporate governance functions

- 2.1.16 developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

- 2.1.17 reviewing and monitoring the training and continuous professional development of directors and senior management;
- 2.1.18 reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- 2.1.19 developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors;
- 2.1.20 reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;
- 2.1.21 performing the corporate governance duties set out above.

#### Others

- 2.1.22 Acting as the key representative body for overseeing the Company's relations with the external auditor;
- 2.1.23 reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 2.1.24 ensuring the Company's practices and procedures with respect to the related party transactions are adequate to comply with the requirements under the GEM Listing Rules.

### **3. Membership and Duties**

- 3.1 The members of the Audit Committee are appointed by the Board from amongst the non-executive directors and independent non-executive directors of the Company.
- 3.2 The term of their office will be determined by the Board.
- 3.3 The Audit Committee comprises not less than three members, a majority of whom shall be independent non-executive directors, at least one of whom has to be an independent non-executive director accepted by The Stock Exchange of Hong Kong Limited with appropriate professional qualification or accounting or related financial expertise as required under the GEM Listing Rules.
- 3.4 The chairman of the Audit Committee shall be appointed by the Board. The chairman of the Audit Committee shall be an independent non-executive director.
- 3.5 All members of the Audit Committee are appointed by the Board and can be removed by the Board at its sole discretion. The Board should from time to time vary the composition of the Audit Committee as may be required by the GEM

Listing Rules (as modified from time to time).

- 3.6 A former partner of the Company's existing auditing firm shall not act as a member of the Audit Committee until one year after the commencement of the later of the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.
- 3.7 The members of Audit Committee should be listed each year in the Company's annual report to shareholders.
- 3.8 The Audit Committee shall have access to professional advice inside and outside the Company in accordance with the procedures of the Company for directors seeking independent professional advice but nevertheless subject to the unanimous approval of the committee members before such advice is being sought. Such advice, if sought, will be at the Company's expense.
- 3.9 The company secretary of the Company shall be the secretary of Audit Committee. In the absence of the company secretary, his/her delegate(s) or any person elected by the members present at the meeting of Audit Committee shall attend such/that committee meeting and take minutes of such meeting.

#### **4. Meetings**

- 4.1 Meetings shall be held not less than three times a year and at such times as the chairman of the Audit Committee shall require. One of these meetings will focus on a discussion with the Company's external auditor regarding the nature and scope of audit and reporting obligations prior to the commencement of the annual audit. The Company's external auditor may request additional meetings to be held, if necessary, by giving notice in writing to the chairman of the Audit Committee.
- 4.2 Other Board members shall have the right of attendance. However, at least once a year the Audit Committee shall meet with the representative(s) of the Company's external auditor without executive directors being present.
- 4.3 The secretary of the Audit Committee, in consultation with the appropriate members of management, will develop the Audit Committee meeting's agenda.
- 4.4 The secretary of the Audit Committee will issue an agenda of subjects to be discussed for each meeting. Any Audit Committee member shall be entitled, by notice to the secretary of the Audit Committee, to include other matters relevant to the Audit Committee in the agenda of the committee meeting.
- 4.5 Minutes of the meeting will be prepared by the secretary of the Audit Committee or any other officer duly authorised by the Audit Committee.
- 4.6 The quorum necessary for the transaction of business shall be two Audit Committee members of whom one of them has to be independent non-executive director.

- 4.7 Other than as set out in this Terms of Reference, the Audit Committee shall adopt such procedures and principles as it sees fit in relation to the proceedings of the Audit Committee.

## **5. Notice**

- 5.1 Notice of Audit Committee meeting has to be given 14 days prior to such meeting proposed to be held, unless all members unanimously waive such notice.

## **6. Resolutions**

- 6.1 Resolutions of the Audit Committee shall be passed by a majority of votes which can also be passed by way of unanimously written resolutions. Meeting can be held in person, by telephone or by video conference.

## **7. Reporting Procedures**

- 7.1 The secretary of the Audit Committee shall keep full minutes of the Audit Committee meetings. Draft and final versions of minutes of the Audit Committee meetings shall be circulated to all members of the Audit Committee for their comments and records within a reasonable time after the meeting. Final versions of the minutes shall also be sent to other members of the Board for their information. After each meeting, the Audit Committee shall submit its advice and/or recommendations, if any, for approval of the Board at the next Board meeting.
- 7.2 Minutes of the Audit Committee shall be recorded in sufficient detail regarding the matters considered and decision reached by Audit Committee, including any concerns raised by any Audit Committee members or dissenting views expressed.
- 7.3 Where the Board disagrees with the Audit Committee's views on the selection, appointment and resignation or dismissal of the external auditor, the Audit Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its opinions and recommendations. The Board shall state in the same report the reason(s) why the Board takes a different view.
- 7.4 The Audit Committee shall compile a report to shareholders on its role and activities to be included in the Company's Corporate Governance Report.
- 7.5 The chairman of the Audit Committee, or in his absence, a Committee Member or failing his or her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to shareholders' questions.

## **8. Authority**

The Audit Committee is authorised by the Board:-

- 8.1 to investigate all suspected fraudulent acts involving the Company and its subsidiaries and request management to make investigation and submit reports.

8.2 to review the internal control procedures and system.

8.3 to review the performance of the Group's employees in the accounting and internal audit department.

8.4 to make recommendations to the Board for the improvement of the Group's internal control procedures and system.

8.5 to request the Board to take all necessary actions, including convening a general meeting, to replace and dismiss the auditor of the Company.

8.6 to obtain outside legal or other independent professional advice.

8.7 to investigate any activity within this Terms of Reference set by the is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

## **9. Amendment**

9.1 Any amendment to this Terms of Reference shall be authorised by the Board. The Board may, subject to compliance with the articles of association of the Company and the GEM Listing Rules, review, amend, supplement and revoke the provisions of this Terms of Reference.

## **10. Publicity**

10.1 This Terms of Reference is available on the GEM website and the Company's website.