



## ROADSHOW HOLDINGS LIMITED

路訊通控股有限公司\*

### TERMS OF REFERENCE OF AUDIT COMMITTEE

*(Revised and adopted at the Board meeting held on 12 December 2017)*

#### 1. Objectives

The Audit Committee (the “**Committee**”) is to assist the Board in fulfilling its responsibilities relating to accounting, auditing and reporting practices, to improve the credibility and objectivity of the Company’s financial and other reports, and to strengthen the systems of internal control and risk management and compliance with applicable laws and regulations.

#### 2. Duties and Responsibilities

The duties of the Committee shall include the followings:

##### *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 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 Audit Committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;

\* *For identification purposes only*

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

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
  - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) 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 auditors;

### ***Oversight of the Company's financial reporting system, risk management and internal control systems***

- (f) to review the Company's financial controls, risk management and internal control systems;
- (g) 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;
- (h) 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;

- (i) 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;
- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in the code provisions under C.3 in the Corporate Governance Code (Appendix 14 of the Listing Rules);
- (n) to advise the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals;
- (o) to oversee the risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group and amend and supplement this from time to time;
- (p) to approve the Group's risk policies and risk tolerances;
- (q) to consider emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively;
- (r) to review risk reports and breaches of risk tolerances and policies;
- (s) to review and assess the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans; and
- (t) to consider other topics, as defined by the Board;

***Others***

- (u) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control 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;

- (v) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (w) to make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's and the Company's websites; and
- (x) where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

### **3. Membership**

- 3.1. The Committee shall consist of non-executive directors only and include not less than three independent non-executive directors. Of these independent non-executive directors, at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee members must be independent non-executive directors.
- 3.2. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of its Committee for a period of one (1) year from the date of his/her ceasing: (i) to be a partner of the firm; or (ii) to have financial interest in the firm, whichever is later.
- 3.3. The Board shall appoint all the members of the Committee and nominate one of the members to be the Chairman of the Committee. The Chairman must be an independent non-executive director.
- 3.4. The membership of the Committee shall be reviewed by the Board each year.

### **4. Frequency and Proceedings of Committee Meetings**

- 4.1. The Committee shall hold at least two regular meetings per year and such other meetings as shall be requested by the Chairman of the Committee, or another member, or auditors. A regular schedule of meetings shall be developed so as to discharge the Committee's responsibilities.
- 4.2. Meetings shall be conducted formally, with agendas and supporting papers sent out in advance, and minutes taken. Papers shall be maintained at the same standard as those of the full Board. The Committee shall decide the minimum notice to be given of meetings, and the arrangements for making Committee papers available to members in advance of meetings.
- 4.3. Both external and internal auditors shall have the right to attend meetings of the Committee.
- 4.4. Committee members may meet independently of management and/or the auditors as they shall decide.

4.5. The quorum of a meeting shall be two members of the Committee. One of whom must be an independent non-executive director. A meeting shall not proceed in the absence of a quorum.

## **5. Authority and Access**

5.1. The Committee shall have authority to require the attendance of the external or internal auditors, or such members of management as it needs to fulfill its responsibilities. It shall also have authority to require any Company's documents to discharge its duties.

5.2. The Committee shall have authority to obtain external professional advice, including taking a second opinion on accounting matters, at the Company's expense. The purpose and cost of such requests shall be reported to the Board.

5.3. The Committee shall have separate and independent access to the Company's senior management and the management should supply to the Committee with adequate information in a timely manners.

5.4. The Committee should be provided with sufficient resources to perform its duties.

5.5. The Company Secretary will act as the secretary to the Committee and should keep full minutes of the Committee meetings. Draft and final versions of the meeting minutes should be sent to all Committee members for their comment and records within a reasonable time after the meeting.

## **6. Reporting**

6.1. The Committee's proceedings shall be recorded in minutes which shall be included in the papers prepared for the next Board meeting after each meeting of the Committee.

6.2. The Chairman of the Committee shall report to the Board as soon as possible after each Committee meeting.

\* *Copy of the Terms of Reference of Audit Committee is available upon request is made to the Company Secretary of the Company.*