



## **REAL GOLD MINING LIMITED**

### **瑞 金 礦 業 有 限 公 司**

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

**(Stock Code: 246)**

### **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

**(adopted by the Board on 30 January 2009, amended on 30 March 2012,  
28 December 2015 and 28 December 2018 applicable to the Company's  
accounting periods beginning on or after 1 January 2019)**

#### **1 MEMBERSHIP**

- (a) The Audit and Risk Management Committee (“Committee”) shall be appointed by the board of directors (“Board”) from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors (“INEDs”). At least one member must be an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Where there are only three INEDs as members of the Board, all of them shall be appointed as members of the Committee. The constitution of the Committee shall comply with the requirements of the Listing Rules from time to time.
- (b) The chairman of the Committee shall be an INED and a member of the Committee appointed by the Board.
- (c) A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 2 years from the date of the person ceasing:
  - (i) to be a partner of the firm; or
  - (ii) to have any financial interest in the firm, whichever is later.

## **2 ATTENDANCE AT MEETINGS**

- (a) The quorum for a meeting of the Committee shall be two members, both of whom must be INEDs.
- (b) Subject to paragraph 4 below, a representative of the external auditors shall be invited to attend the Committee meetings where appropriate. Other staff who have specific responsibility for an area under review may also be invited to attend.
- (c) The company secretary shall be the secretary of the Committee who should attend all meetings of the Committee.
- (d) Members of the Committee may participate in a meeting of the Committee by means of conference telephone or similar communications equipment in respect of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

## **3 FREQUENCY OF MEETINGS**

Meetings shall be held not less than three times a year. The external auditors or any members of the Committee may request a meeting if they consider that one is necessary and upon the receipt of such request, the secretary of the Committee shall convene such a meeting as soon as reasonably practicable and having regard to the convenience of all members with priority given to the INEDs.

## **4 PRIVATE MEETINGS**

The Committee may hold separate private meeting(s) with the internal auditors and/or the external auditors with no executive directors or senior management present whenever they think fit and appropriate.

## **5 NOTICE OF MEETINGS**

Reasonable notice shall be given for the meetings to all members of the Committee.

## **6 COMMITTEE'S RESOLUTIONS**

A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

## **7 AUTHORITIES**

- (a) The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or executive director and such persons are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board, and at the reasonable expense of the Company, 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.
- (c) The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (d) Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should arrange for the Corporate Governance Report in the Annual Report of the Company to include an explanation of the Committee's recommendation and the reasons why the Board has taken a different view.
- (e) The Committee is to be provided with sufficient resources to perform its duties.

## **8 GENERAL RESPONSIBILITIES**

- (a) The Committee is to serve as a focal point for communication among other Directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- (b) The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems of the Company and its subsidiaries (the "Group"), and as to the adequacy of the external and internal audits.
- (c) The Committee shall fulfill other responsibilities as required by the Listing Rules from time to time.

## 9 DUTIES

The duties of the Committee shall be:

### **Relationship with the Company's external 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 any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity. In this connection, the Committee shall:
  - (i) obtain from the external audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
  - (ii) conduct annual reviews of all non-audit services performed by the external auditors and the related fee levels, and to ensure that such services do not impair the independence of the external auditors; and
  - (iii) review the policies on hiring employees or former employees of the external auditors and consider whether as a result of such any subsequent hiring, there has been any impairment of the auditors' judgment or independence in respect of the audit.
- (c) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, "external auditors" 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;

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

- (e) to monitor integrity of Company's financial statements and annual report and accounts, half-year report, and if prepared for publication, quarterly reports to review significant financial reporting judgments 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 requirements under the Listing Rules and legal requirements in relation to financial reporting.
- (f) regarding (e) above:
- (i) members of the Committee should liaise with the Board, senior management and the person appointed as the Company's qualified accountant 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 qualified accountant, compliance officer or auditors;

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

- (g) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the issuer's risk management and internal control systems;
- (h) 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 Company's accounting and financial reporting function;
- (i) 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 those findings;
- (j) 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;
- (k) to review the group's financial and accounting policies and practices;
- (l) to discuss any problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary) and to assist in the resolution of any disagreements or difference between the external auditors and management;

- (m) 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;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the above matters;
- (p) to consider other topics, as defined by the Board; and
- (q) to ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company. Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.
- (r) The Committee shall 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; and
- (s) The Committee shall act as the key representative body for overseeing Company's relations with the external auditor.

## **10 REPORTING PROCEDURES**

- (a) The Committee shall report to the Board. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board, when there are legal or regulatory regulations on their abilities to do so.
- (b) Full minutes of Committee meetings shall be kept by the secretary of the Committee. Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comment and records, within a reasonable time after the meeting.
- (c) Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.

## **11 AVAILABILITY AND UPDATE OF THE TERMS OF REFERENCE**

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong. These terms of reference shall be made available to the public by including the information on The Stock Exchange of Hong Kong Limited's website and the Company's website.