

**Macau Property Opportunities Fund Limited**  
**AUDIT & RISK COMMITTEE**  
**TERMS OF REFERENCE**

**1. Composition and Procedure**

1.1 The Audit & Risk Committee (the "**Committee**") shall consist of a minimum of two members, comprising a Chairman and at least one other member. The Committee shall be appointed by the Board and membership shall be confined to Directors as deemed independent by the Board. At least one member of the Audit & Risk Committee shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector.

The members of the Audit & Risk Committee for the time being shall be:

- Alan Clifton (Chairman)
- Wilfred Woo
- Mark Huntley

1.2 Other directors and third parties may be invited by the Audit & Risk Committee to attend meetings as and when appropriate.

1.3 In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one other member present to chair the meeting.

1.4 The Company Secretary or his/her nominee shall act as the Secretary of the Committee.

1.5 The quorum for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

1.6 The Committee shall meet not less than twice a year at appropriate times in the audit and reporting cycle and at such other times as the Committee Chairman shall require. Members may attend meetings of the committee by telephone but not from the UK.

1.7 Any member of the Audit & Risk Committee may request that a meeting be convened by the Secretary of the Committee. The Company's external auditors may request that a meeting be convened if they deem it necessary.

1.8 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Committee and any other person required to attend, no fewer than five business days prior to the date of the meeting.

1.9 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

1.10 Minutes of Committee meetings shall be circulated promptly to all members of the Board.

**2. Annual General Meeting**

2.1 The Committee Chairman, or another member of the Committee appointed for the purpose, shall attend each annual general meeting of the Company, prepared to respond to any shareholder questions on the Committee's activities.

**3. Duties**

**3.1 Internal Control and Risk Assessment**

3.1.1 The Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment management and monitoring of risks, with particular regard to the protection of the interests of the Company's shareholders. *Refer to section 3.6.* The Committee shall meet investors in relation to the Company's financial reporting and internal controls, should it be deemed appropriate.

3.1.2 The Committee shall review any statements on internal control systems provided by the Administrator prior to endorsement by the Board.

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**3.2 External Audit**

- 3.2.1 The Committee will have primary responsibility for the appointment of the auditor. This includes negotiating the fee and scope of the audit, initiating a tender process influencing the appointment of an engagement partner and making formal recommendations to the board on the appointment, reappointment and removal of the external auditors.
- 3.2.2 The Committee shall meet with the external auditors at least once each year to discuss, before the audit commences, the nature and scope of the audit.
- 3.2.3 The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 3.2.4 The Committee shall give advance notice of any retendering plans within the annual report.
- 3.2.5 The Committee will ensure all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
- 3.2.6 The Committee shall keep under review the relationship with external auditors including (but not limited to):
- (i) the independence and objectivity of the external auditors;
  - (ii) the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities;
  - (iii) discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made regarding the Company's internal auditing standards;
  - (iv) consideration of any Management Letter and management's responses to any such letter; and
  - (v) review of the operation of the Administrators' internal controls procedures and their effectiveness.

**3.3 Financial Statements**

- 3.3.1 The Committee shall keep under review the consistency of accounting policies on a year to year basis.
- 3.3.2 The Committee shall satisfy itself that the fair valuation of investments/property prepared by the independent valuer is reasonable.
- 3.3.3 The Committee shall be responsible for satisfying itself that:
- (i) When taken as a whole, the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model, strategy and internal controls;
  - (ii) the annual accounts, the preliminary statement of financial results, the interim statement of financial results and any other major financial statements issued by the Company follow generally accepted accounting principles and give a fair and meaningful account of the Company's and any subsidiary undertakings' affairs; and
  - (iii) matters raised by the external auditors about any aspect of the accounts or of the Company's control and audit procedures are appropriately considered and, if necessary, brought to the attention of the Board, for resolution.
- 3.3.4 The Committee shall exercise the following powers and discretions:
- 3.3.4.1 to review the half-year and annual accounts before their submission to the full Board, focusing in particular on:
- (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments arising from the audit;
  - (iv) the "going concern" assumption;
  - (v) considerations for the long term viability statement;

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- (vi) compliance with accounting standards; and
- (vii) provide confirmation to the Board that the Committee considers that the half-year and annual accounts are "fair, balanced and understandable".

- 3.3.4.2 to review results announcements and any other formal announcement relating to the Company's financial performance;
  - 3.3.4.3 to ensure that a framework for strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the appropriate governance codes;
  - 3.3.4.4 to review all transactions outside the normal course of business (e.g. share buybacks);
  - 3.4.4.5 to ensure compliance with legal and regulatory (including as to corporate governance) requirements;
  - 3.3.4.6 reviewing of the Company's external auditors' management letter and management's response;
  - 3.3.4.7 to consider any other matter specifically referred to the Committee by the full Board; and
  - 3.3.4.8 to discuss and resolve any problems or reservations which the Company's auditors may have arising from final audits and any interim audits or otherwise.
- 3.3.5 The Committee should describe in the annual report the work that it has undertaken in discharging its responsibilities to include:
- 3.3.5.1 the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed;
  - 3.3.5.2 an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
  - 3.3.5.3 if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

**3.4 Reporting Responsibilities**

- 3.4.1 The Committee or its Chairman shall meet formally with the Board at least once a year to discuss such matters as the annual report, the Company's relationship with its external auditors and risk management.
- 3.4.2 In the light of its other duties, the Committee shall make whatever recommendations to the Board it deems appropriate and shall, where appropriate, compile a report to shareholders to be included in the Company's annual report and accounts.
- 3.4.3 The Committee shall report to the Board how it has discharged its responsibilities.

**3.5 Risk and Risk Management**

- 3.5.1 The Committee will review the effectiveness of the Company's risk management framework, in relation to the investment policy of the Company.
- 3.5.2 The Committee shall review on a regular basis risk the risks involved in the Company's business and how they are controlled, monitored and mitigated.
- 3.5.3 The Committee shall monitor and review the effectiveness of the risk management function of the Company, but also the risk management function of the Manager, Administrator and other third party service providers as it deems fit and to seek such assurance that such functions are adequately resourced and have appropriate standing with the Company.

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- 3.5.4 The Committee will consider the risks associated with proposed acquisitions or disposals of investments.
  - 3.5.5 The Committee will consider the risks associated with the valuation of investments.
  - 3.5.6 The Committee shall review the Company's procedures concerning the prevention and detection of fraud and financial crime.
  - 3.6.7 The Committee shall review the Company's arrangements for regulatory compliance and consider any material findings from regulatory reviews.
- 3.6 **Other Matters**
- 3.6.1 The Committee shall satisfy itself that the sources of assurance and information it has used to carry out its role to review, monitor and provide assurance or recommendations to the Board are sufficient and objective.
  - 3.6.2 The Committee shall be responsible for co-ordination of the internal and external auditors.
  - 3.6.3 The Committee shall oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.
  - 3.6.4 The Committee shall, on a regular basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.
  - 3.6.5 The Committee shall formally review and approve any material related party transactions.
  - 3.6.6 The Committee shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.

**4. Authority**

The Committee is authorised by the Board:

- 4.1 to seek any information it requires from the Administrator, the Manager and any other provider of services to the Company (for example, solicitors, tax advisers, management consultants, property or development managers) in order to perform its duties;
- 4.2 to obtain, at the cost of the Company, such outside legal or other independent professional advice as the Committee shall consider, in its discretion, to be appropriate to the exercise of its powers and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Dated: [20 February 2019]