

MAINLAND

**Mainland Real Estate Ltd
Draft Terms of Reference - Audit & Risk Committee Charter
August 2016**

1 INTRODUCTION

The Audit and Risk Committee (“the Committee”) is constituted as a statutory Committee of the Board of directors of Mainland Real Estate Ltd (“the Company”) and a Committee of the Board in respect of other duties assigned to it by the Board.

The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board.

The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.

The objective of the Committee is to assist the Board in-

- discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards; and
- the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting.

2 PURPOSE OF THE CHARTER

The purpose of this Charter is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

3 COMMITTEE COMPOSITION

- 3.1 In order to improve efficiencies, the Audit Committee and Risk Committee are combined.
- 3.2 The Committee shall comprise of not less than three members appointed by the Board (“Committee members”), comprising executive and non-executive directors, which non-executive directors shall be independent non-executive directors, where possible. The Committee shall at all times be comprised of a majority of independent non-executive directors.
- 3.3 The Chairperson of the Board is eligible to be a member of the Committee but not Chairperson of the Committee.

- 3.4 The Chief Executive Officer of the Company cannot be a member of the Committee.
- 3.5 The Board shall appoint a Chairperson from the independent non-executive directors of the Company and determine the period for which he or she shall hold office.
- 3.6 Members of the Committee and its Chairperson are nominated by the Board.
- 3.7 The members of the Committee as a whole must collectively have sufficient qualifications and experience to fulfill their duties, and must keep up-to-date with developments affecting the required skill-set.
- 3.8 The Board must fill vacancies on the Committee within 40 business days after the vacancy arises.
- 3.9 The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.

4 COMMITTEE ROLE AND DUTIES

- 4.1 The Committee has an independent role with accountability to both the Board and shareholders.
- 4.2 The Committee is empowered and required to carry out the duties set out in the Committee Responsibilities below.
- 4.3 In addition to chairing meetings of the Committee, the Committee's Chairperson shall consult and maintain a dialogue with key individuals whose roles relate to the Committee's interests, including the Chairperson of the Board, the lead external auditor, the Chief Executive Officer and the Chief Financial Officer and executives responsible for internal audit and the risk function.
- 4.4 The Committee's Chairperson shall endeavor to make himself available to report to shareholders and respond to their questions at meetings of the Company's members, in particular the Annual General Meeting.
- 4.5 The Committee's Chairperson, in liaison with the Company Secretary, shall ensure that appropriate and timely induction is provided to new members and on a continuing basis for all members of the Committee.
- 4.6 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

5 COMMITTEE RESPONSIBILITIES

The Committee has the following specific responsibilities:

- 5.1 Monitor the integrity of the Company's financial statements, including reviewing the financial statements prior to approval, including annual report and other periodic reports, results' announcements and statements relating to financial performance, focusing on significant financial reporting issues, major judgmental areas, significant audit adjustments, going concern and compliance with accounting standards and securities exchange and regulatory requirements;
- 5.2 Monitor, and challenge where necessary, the consistency of and any changes to accounting policies, the selection of accounting methodology for significant transactions, the application of appropriate accounting standards and the clarity of disclosure in the Company's financial reports including all material supporting information;

- 5.3 Monitor the independence and objectivity of the auditors and make recommendations to the Board, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the auditors and their remuneration and overseeing the selection process for new auditors as necessary;
- 5.4 Consider any issues arising from the audit and any matters the auditors wish to raise;
- 5.5 Review the effectiveness of the audit, including the auditors' management letter and the response of management to its findings and recommendations;
- 5.6 Develop and implement policy on the engagement of the external auditor to supply non-audit services, and approve the terms on which the auditor may be engaged to supply such services;
- 5.7 Review audit planning process to ensure that the policies in place to combat financial crime, money-laundering activities, fraud and bribery are tested through the audit process;
- 5.8 Review the internal procedures by which employees, advisors and contractors may raise concerns about possible improprieties in matters of financial reporting and other matters ("whistleblowing"), to ensure that arrangements are in place for the investigation of such matters and appropriate follow-up action;
- 5.9 Advise the Board on the Company's overall risk profile, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities;
- 5.10 Oversee and advise the Board on the current risk exposures of the Company and future risk strategy and prepare a risk matrix for the Company;
- 5.11 Consider and approve the remit of the risk management function and ensuring that it has: (i) adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards; and (ii) adequate independence and is free from management and other restrictions.
- 5.12 Review promptly all risk management reports on the Company and review and monitor management's responsiveness to findings and recommendations contained in such reports (whether formal or informal).
- 5.13 Ensure the risk management function is provided with unfettered direct access to the Committee and the Chairperson of the Board.
- 5.14 Report formally to the Board on its proceedings and make recommendations to the Board on any area within its remit.
- 5.15 Produce an annual formal report on the Company's risk management objectives, policy and management framework for inclusion in the Company's annual report, including in relation to financial instruments.
- 5.16 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

6 COMMITTEE AUTHORITY

- 6.1 The Board supports and endorses the Committee, which operates independently of management and is free of any organisational impairment.
- 6.2 The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the Board and the shareholders. To this end the Chairperson of the Committee must be present at all annual general meetings. On all

- responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.
- 6.3 The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in this charter. It has the power to investigate any activity within the scope of its terms of reference.
 - 6.4 The Committee, in the fulfillment of its duties, may call upon the Chairperson of the other Board Committees, any of the executive directors, company officers, and company secretary or assurance providers to provide it with information subject to following Board approved process.
 - 6.5 The Committee may, at the discretion of the Committee, require other employees of the Company to attend meetings or parts of meetings.
 - 6.6 The Committee has reasonable access to the Company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following Board approved process.
 - 6.7 The Committee may form, and delegate authority to, sub-Committees and may delegate authority to one or more designated members of the Committee. The Committee shall not be discharged from its responsibilities under this Charter upon any such delegation.
 - 6.8 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to Board approved process being followed.
 - 6.9 The Committee shall at least once a year meet with external auditors without any executive member of the Board in attendance.
 - 6.10 The Committee shall at least once a year meet with the internal auditors without any executive member of the Board in attendance.

7 COMMITTEE MEETINGS AND PROCEEDINGS

- 7.1 Only the members of the Committee shall have the right to attend its meetings. The Committee may, subject to these terms of reference and with the assistance of the Company Secretary, regulate its own proceedings.
- 7.2 The Committee shall meet with the Company's auditors at each annual reporting period and at each quarterly reporting period if deemed necessary by the finance director or the Committee.
- 7.3 The Committee may invite the Company's finance director to attend its meetings, in whole or in part, as it considers appropriate.
- 7.4 In the absence of the Committee's Chairperson at a meeting, the remaining members shall elect one of their number to chair the meeting.
- 7.5 The Company Secretary shall act as secretary of the Committee and shall work in liaison with the Chairperson to ensure that the Committee has an appropriate schedule of meetings and receives relevant papers and information electronically in sufficient time to enable full consideration of relevant matters.
- 7.6 The Committee shall meet not less than four times annually and its meetings shall coincide with relevant points in the Company's planning and audit cycle.
- 7.7 At least one of the Committee's meetings during any year shall have as the primary item of business the review of the Company's corporate and operational risk profile and measures in mitigation.

- 7.8 Meetings of the Committee shall be convened by the Company Secretary at the request of any of its members, in consultation with the Chairperson. The Company Secretary shall consult the Chairperson of the Committee without delay in the event that a meeting of the Committee is requested by any of the Company's auditors or finance director.
- 7.9 The Committee is authorised: (i) to seek any information it requires from any employee/director of the Company in order to perform its duties; (ii) to obtain, at the Company's expense, external legal or other professional advice on any matter within its terms of reference where required; and (iii) to request the attendance of any employee at a meeting of the Committee as and when required.
- 7.10 Unless otherwise agreed, notices of meetings of the Committee shall contain the date, time and venue of the meeting, together with a description of the items of business for consideration. Notices and supporting documents shall be forwarded to each member of the Committee and to others invited to attend, by such methods as individuals have specified, at least 5 working days prior to the meeting.
- 7.11 The Company Secretary shall provide appropriate minutes of the Committee's proceedings and shall circulate the draft minutes to members timeously following each meeting. Approved minutes shall be provided to the other members of the Board.

8 COMMITTEE QUORUM

- 8.1 The quorum for the transaction of business at the Committee's meetings shall be two members.
- 8.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

9 COMMITTEE EVALUATION

The Board, with the assistance of the Company Secretary, must perform an evaluation of the effectiveness of the Committee and of its members annually.

10. ETHICS

There are a number of statutory, common law and other requirements that cover the ethical behaviour of directors, managers and officers of companies. In addition, the Company can establish a clearly defined and documented code of ethics. The directors must declare the nature and extent of their interest in contracts.

The Committee will be responsible for:

- i. Monitoring the ethical conduct of the Company, its executives and senior officials;
- ii. Reviewing any statements on ethical standards or requirements for the Company and assisting in developing such standards and requirements;
- iii. Compliance with the requirements of the Constitution;
- iv. Compliance with the law and regulations of any other applicable statute and of controlling bodies;
- v. Identification of any violations of ethical conduct; and
- vi. Environmental and social issues.

The Committee will also give recommendations on any potential conflict of interest or questionable situations of a material nature.

11. REMUNERATION

Having regard for the functions performed by the members of the Committee in addition to their functions as directors and in relation to the activities of the Committee and pursuant to the specific power conferred upon the board by the Constitution of the Company, members of the Committee shall be paid such special remuneration in respect of their appointment as shall be fixed by the Board.

12 RESOLUTIONS IN LIEU OF MEETING

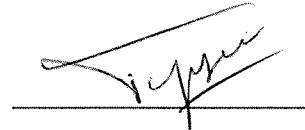
A resolution in writing, signed by the committee members, shall be valid as if it has been passed at a meeting of the Audit & Risk Committee, where the resolution is signed by all the committee members.

13 CHARTER APPROVAL

This charter was approved by the Board and the Committee and will be reviewed from time to time.



Chairperson of the Committee



Chairperson of the Board