



NAGACORP LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3918

Terms of Reference of the Audit Committee

(Adopted by a Resolution of the Board passed on 16 March 2005 and as amended by the Resolutions of the Board passed on 22 August 2006, 5 December 2006, 18 December 2006, 17 December 2007, 22 February 2012 and 11 December 2015)

Constitution

1. The Audit Committee is established pursuant to Article 120 of the Articles of Association of NagaCorp Ltd. (the “**Company**”) as a committee of the board of directors of the Company (the “**Board**”).
2. Subject to the regulations contained in the Companies Law (as amended) of the Cayman Islands, the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Articles of Association of the Company, the procedures of the Audit Committee shall be regulated by the provisions set out in these Terms of Reference (the “**Terms of Reference**”).

Objective

3. The Audit Committee shall be responsible for ensuring the objectivity and credibility of financial reporting of the Company, by satisfying the Audit Committee itself as to the effectiveness of the risk management and internal controls of the Company and its subsidiaries, (collectively, the “**Group**”), and as to the adequacy of the external and internal audits, and for maintaining an appropriate relationship with its external auditor.

Membership

4. The Audit Committee shall be appointed by the Board and shall consist of at least three members.

5. A majority of the members must be independent non-executive directors and the remaining members must be non-executive directors. At least one of the members shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise (as required under rule 3.10(2) of the Listing Rules.
6. A former partner of the Company's existing auditing firm from time to time may not act as a member of the Audit Committee for a period of one year commencing on the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is the later.
7. The chairman of the Audit Committee (the "**Chairman**") shall be appointed by the Board from among its independent non-executive directors.

Meetings

8. The Audit Committee shall meet at least four times a year. The external auditor may request a meeting if it considers it necessary.
9. A quorum necessary for meetings of the Audit Committee shall be two members present in person or by means of a telephone conference or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other, and a majority vote of the members present shall represent an act of the Audit Committee.

Notice of meetings

10. Meetings of the Audit Committee shall be called by its Chairman or at the request of the members of the Audit Committee.
11. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Audit Committee, the chief executive officer of the Company, the chief financial officer of the Company and any other person required to attend no fewer than three working days prior to the date of the meeting.

Attendance at meetings

12. The chief financial officer, the head or a representative of the internal audit department of the Company, and a representative of the external auditor shall normally attend meetings of the Audit Committee. All Board members shall have the right to attend meetings. However, the Audit Committee shall meet with the external auditor of the Company without the presence of its executive directors at least twice a year.
13. The company secretary or his/her nominee shall be the secretary of the Audit Committee (the "**Secretary**").

Authority

14. The Audit Committee shall discharge its authority in accordance with procedures and rules as set out by the Board essentially to maintain financial and accounting standards and integrity, and to investigate any activity to satisfy the objective as set out in paragraph 3 of the Terms of Reference. In the discharge of its duties as set out in these terms the Audit Committee is authorized to seek any information it requires from any employee of the Company and all such employees are directed to cooperate with any request made by the Audit Committee.
15. The Audit Committee is authorized by the Board, at the Company's expense, to appoint legal or other independent professional advisers with relevant experience and expertise to assist the Audit Committee in the discharge of its duties set out in these terms, and to secure the attendance of such professional advisers at its meetings if it considers it necessary.
16. The Audit Committee is authorized to require management to provide it with such resources as may be necessary for it to perform its duties as set out in these terms.

Duties and responsibilities

17. The duties and responsibilities of the Audit Committee shall include the following:
 - (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor of the Company, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal, and draft an announcement which is subject to the Board's approval;
 - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
 - (c) to discuss with the external auditor before the audit process commences, the nature and scope of the audit and reporting obligations, and ensure coordination where more than one auditor is involved;
 - (d) to develop and implement a policy on engaging an external auditor to supply non-audit services (for which 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) and report to the Board on such policy, identifying and making recommendations on any matters where action or improvement is needed;
 - (e) to monitor the integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, to focus particularly on:

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from the 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,

and should:

- (vii) liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
 - (viii) 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;
- (f) to review the audit reports on the Company's AML controls prepared by an independent auditor appointed by the Company, on a semi-annual basis;
 - (g) to act as the key representative body for overseeing the Company's relations with the external auditor; and to discuss problems and reservations arising from the interim and final financial statements, and any other matters the external auditor may wish to discuss (in the absence of management where necessary);
 - (h) 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;
 - (i) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - (j) to review the Company's financial controls; risk management and internal control systems;
 - (k) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems in place. 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;

- (l) to review the Company's statement on internal control systems (which may include elements of AML Internal Control and procedures and any review on gaming operations of the casino within the period as prescribed by the Stock Exchange) to be included in the annual report prior to endorsement by the Board;
 - (m) 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;
 - (n) where an internal audit function exists, 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;
 - (o) to review the Group's financial and accounting policies and practices;
 - (p) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
 - (q) to report to the Board on the matters in this paragraph 17; and
 - (r) to consider other topics, as defined by the Board.
18. In carrying out its duties contained in the Terms of Reference the Audit Committee shall take into account relevant provisions of the Listing Rules and other factors that it deems necessary.

Reporting Procedures

19. The Secretary shall keep full minutes of all Audit Committee meetings. The Secretary shall circulate draft and final versions of such minutes to all members of the Audit Committee for their comments and records respectively, in both cases within a reasonable time after the meeting.
20. The Secretary shall circulate the minutes of the Audit Committee meetings to all members of the Board.
21. On a semi-annual basis, the Chairman shall present a report to the Board addressing all areas of responsibility by outlining the work undertaken by and the findings of the Audit Committee.
22. The Chairman or an authorized representative of the Audit Committee shall be available to answer questions about the work of the Audit Committee at the annual general meeting of the shareholders of the Company.

Publication of the Terms of Reference

23. The Terms of Reference will be posted on the websites of the Company and the Stock Exchange.