



JOY CITY PROPERTY LIMITED
大悦城地產有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 207)

Terms of Reference of the Audit Committee (the “Committee”)

A. Membership

- (a) Members of the Committee shall be appointed by the board (the “**Board**”) of directors (the “**Director(s)**”) of Joy City Property Limited (the “**Company**”) and shall be made up of at least three members, the majority of whom should be independent non-executive Directors;
- (b) Only members of the Committee have the right to attend Committee meetings, however, other members of the Board or senior management may be invited to attend, as appropriate. External advisers may also be invited to attend all or part of any Committee meeting, as and when appropriate;
- (c) Appointments to the Committee shall be for such initial period (subject to extension) as prescribed by the Board; and
- (d) The Board shall appoint the Committee Chairman who shall an independent non-executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of them to chair the meetings of the Committee.

B. Secretary

The Company Secretary or his/her nominee shall be secretary of the Committee. Minutes will be taken for all Committee meetings and kept by the Company Secretary. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records within a reasonable time after the Committee meeting.

C. Authority

The Committee is authorised to:

- (a) have access to such training and resources (including employees) in order to carry out its duties as it may consider appropriate;
- (b) obtain, at the Company's expense, any advice or support from external advisers or experts including legal advisers on any matters to perform its responsibilities within these terms of reference; and
- (c) have access to any information, record or report from any Group employee in order to perform its duties and request any employee to attend Committee meetings and answer questions as and when required.

D. Quorum

The quorum necessary for the transaction of business by the Committee at a meeting of the Committee 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.

E. Frequency of Meetings

The Committee shall meet at least twice a year. Additional meetings shall be held as the work of the Committee demands.

F. Notice of Meetings

Proceedings of the Committee's meetings are governed by the provisions contained in the Company's Bye-laws.

G. Attendance at Meetings

As necessary or desirable, the Chairman may request that members of management and representatives of external auditor be present at meetings of the Committee. At least twice a year the Committee shall meet with the external auditor without executive Board members present.

H. Duties, powers and functions

The Committee's responsibilities shall include the following:

Relationship with the Company's external auditor

- (1) be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;
- (2) 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;
- (3) develop and implement policy on the engagement of 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

The engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;

- (4) act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's Financial Information

- (5) monitor 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 this regard, 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting;
- (6) in regard to (5) 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 external auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, Chief Financial Officer (if any), Financial Controller (if any) or auditor;

Oversight of the Company's Financial Reporting System, Risk Management and Internal Control Systems

- (7) review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (8) discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- (9) 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;
- (10) 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;
- (11) review the Group's financial and accounting policies and practices;
- (12) review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (13) 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 is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow-up action;
- (14) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

Oversight of the Company's Anti-corruption and Whistleblowing Policies and Systems

- (15) monitor, oversee compliance with and regularly review the Group's anti-corruption policy and system, and to ensure that the Group's anti-corruption policy remains adequate for the purpose of any applicable legislation, report to the Board with any recommendations as the Committee may deem appropriate in relation to anti-corruption policy and system;
- (16) monitor the use and effectiveness of the whistleblowing policy and system for employees and other stakeholders who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company, including but not limited to improprieties in financial reporting, internal control and other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action;
- (17) regularly review procedures of the whistleblowing to improve their effectiveness;

Others/General

- (18) engage in any other activities consistent with the Committee's objectives and responsibilities and to consider other topics, as defined by the Board; and
- (19) report to the Board on the above matters.

I. Reporting Responsibilities

The Committee shall report regularly to the Board at the next Board meeting following a Committee meeting on its findings and recommendations.

– End –

Updated in March 2023