

**ARA ASSET MANAGEMENT (FORTUNE) LIMITED**  
**(as manager of Fortune Real Estate Investment Trust)**

**Terms of Reference for the Audit Committee**

**1. Objective**

**1.1** The role of the Audit Committee is to assist the Board with discharging its responsibility to:

- safeguard the assets of the Manager and Fortune REIT;
- maintain of adequate accounting records;
- develop and maintain an effective system of internal controls and risk management (including policy(ies) and system(s) to manage anti-corruption);
- ensure integrity of financial statements;
- provide arrangements whereby concerns on financial improprieties or, other matters raised by 'whistle-blowers' are investigated and appropriate follow up actions are taken;
- to review dealings by the Manager and Directors pursuant to the Code Governing Dealings in Units by Directors or the Manager;
- to review the amounts or public relation-related expenses incurred by the Manager and/or Trustee;
- to review continually connected party transactions; and
- to report to the Board by identifying and making recommendations on any matters where action or improvement is needed.

**1.2** The overall objective of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of Fortune REIT's financial reporting and internal control system, to ensure that management team has created and maintained an effective system of internal controls to safeguard the assets and integrity of the operations of Fortune REIT, and to ensure compliance with relevant regulations and legislations applicable to Fortune REIT.

**1.3** As a sub-committee of the Board, the Audit Committee provides a channel of communication between the Board, management team, the Internal Auditor and the external auditor on matters arising out of the internal and external audits.

**2. Membership**

**2.1** The Audit Committee shall be appointed by the Board from amongst its members and shall comprise at least three (3) members.

- 2.2** All members of the Audit Committee shall be non-executive Directors of the Manager, a majority of whom, including the Chairman of the Audit Committee shall be independent.
- 2.3** The Chairman of the Audit Committee shall be elected by the members and shall be independent.
- 2.4** The members shall be appropriately qualified to discharge their responsibilities. At least one (1) member shall have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.
- 2.5** A non-executive Director who is a former partner of Fortune REIT's existing auditing firm, shall be prohibited from acting as a member of the Audit Committee for a period of two years from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.
- 2.6** A member who wishes to retire or resign from the Audit Committee shall notify the Board in writing giving at least one (1) month's notice.
- 2.7** The office of a member shall be vacant upon the member's death/resignation/retirement/removal or disqualification as a Director of the Manager. Any vacancy in the Audit Committee shall be filled within two (2) months, and in any case, no later than three (3) months.

### **3. Administration**

#### **3.1 Meetings**

- (a) Meetings of the Audit Committee may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman of the Audit Committee shall be conclusive of any meeting conducted as aforesaid.
- (b) Meetings of the Audit Committee shall be held at least twice a year.

These meetings should be held:

- (i) prior to the commencement of the annual external audit of Fortune REIT;
- (ii) prior to the Board's approval of the half year and full year results and distributions of Fortune REIT;
- (iii) after the completion of the annual external audit and prior to the Board's approval of the full year results and distributions of Fortune REIT.
- (c) At least once a year, representatives of the Fortune REIT's external auditor will meet the Audit Committee without any executive Directors being present, except by invitation of the Audit Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
- (d) Audit Committee Meetings should be attended by:

- the Chief Executive Officer (“CEO”) and Chief Operating Officer (if any)
  - the Head of Finance / Chief Financial Controller
  - the Internal Auditor or Head of Internal Audit (as and when required by the Audit Committee)
  - the Representative of external auditor (as and when requested by the external auditor, especially meetings in relation to the results announcement)
- (e) The Audit Committee shall have full discretion to invite any Director or the management team to attend Meetings of Audit Committee.
- (f) The secretary of the Audit Committee shall be the company secretary of the Manager for the time being or its authorised designate(s), or such other person appointed/approved by the Audit Committee (“**Secretary**”).
- (g) The Secretary shall attend all meetings of the Audit Committee and minute the proceedings thereof including providing an attendance record of individual members present at all meetings.
- (h) The Secretary shall keep full minutes of all meetings of the Audit Committee.
- (i) Draft and final version of minutes of meetings of the Audit Committee shall be sent to all members of the Audit Committee for their comments and records within a reasonable time after the meeting.
- (j) Minutes of all meetings of the Audit Committee shall be confirmed by the Chairman of the Audit Committee or Chairman of the meeting and circulated to all members.

If the Chairman so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided that there is no conflict of interest and with the consent of the Chairman of the Audit Committee or the meeting, as the case may be, obtain copies of minutes of meetings of the Audit Committee.

- (k) The notice of each meeting of the Audit Committee confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Audit Committee at least three (3) working days prior to the date of the meeting.

### **3.2 Quorum**

The quorum shall be two (2) members, including at least one (1) independent Director.

If the Chairman of the Audit Committee is not present at the meeting, the members present may elect one of their members, who must be independent, to chair the meeting.

### **3.3 Voting**

A resolution shall be considered passed if:

- (a) a majority of votes is cast in favour of the resolution at a meeting of the Audit Committee, or
- (b) there is an agreement in writing by a majority of members entitled to participate in the decision.

In the event of an equality of votes, the Chairman of the Audit Committee shall have a casting vote.

Any member who has an interest in any matters being reviewed or considered by the Audit Committee shall abstain from voting on the matter.

### **3.4 Resolutions of the Audit Committee in Writing**

The Audit Committee may pass resolutions by circulation. A resolution in writing signed by a majority of the Audit Committee members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted.

These resolutions may consist of several documents in original or facsimile form, each signed by one or more members. Resolutions passed by circulation shall be subsequently noted by the Audit Committee at the next meeting following the circulation.

## **4. Duties**

The responsibility of the Audit Committee is to assist the Board through the review and supervision of the Company's financial reporting, risk management and internal control system and any other responsibility as may be delegated by the Board from time to time. The duties of the Audit Committee in respect of Fortune REIT shall be to:

### *Relationship with Fortune REIT's External Auditor*

- 4.1** to be primarily responsible for making recommendations to the Board on the appointment, reappointment 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;
- 4.2** to review and monitor the external auditor's independence and objectivity;
- 4.3** to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 4.4** to develop and implement policy on engaging 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;
- 4.5** to act as the key representative body for overseeing Fortune REIT's relations with the external auditor and discuss problems and concerns, if any, arising from the half year and final audits, in consultation with the external auditor, where necessary.

### *Review of Fortune REIT's financial information*

- 4.6** to monitor integrity of the half-year and full year financial statements, annual report and accounts of Fortune REIT, and to review any significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
  - (a) any changes in accounting policies and practices;

- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going-concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and statutory/regulatory requirements applicable to Fortune REIT in relation to financial reporting.

**4.7** Regarding 4.6 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 external auditor; 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 Manager's staff responsible for the accounting and financial reporting function, compliance officer or external auditor.

*Oversight of Fortune REIT's financial reporting system, risk management and internal control systems*

- 4.8** to review Fortune REIT's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review Fortune REIT's risk management and internal control systems;
- 4.9** 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 the Manager's accounting and financial reporting function, as well as those relating to Fortune REIT's ESG performance and reporting;
- 4.10** 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;
- 4.11** where an internal audit function exists, to ensure co-ordination between the internal and external Auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness;
- 4.12** to review Fortune REIT's financial and accounting policies and practices;
- 4.13** to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- 4.14** to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 4.15** to report to the Board on the matters in this code provision; and

**4.16** to consider other topics, as defined by the Board.

*Risk Management and internal control functions delegated by the Board*

**4.17** to oversee Fortune REIT's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of Fortune REIT's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to unitholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls, and policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

**4.18** to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Manager's accounting, internal audit and financial reporting functions, as well as those relating to Fortune REIT's ESG performance and reporting in an annual review;

**4.19** to conduct an annual review, in particular, to consider:

- (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and Fortune REIT's ability to respond to changes in its business and the external environment;
- (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
- (c) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management;
- (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on Fortune REIT's financial performance or condition; and
- (e) the effectiveness of Fortune REIT's processes for financial reporting and Listing Rule compliance.

**4.20** to ensure that Fortune REIT discloses in its Corporate Governance Report, a narrative statement on how it has complied with the risk management and internal control code provisions during the reporting period. In particular, the committee should ensure the Corporate Governance Report discloses:

- (a) the process used to identify, evaluate and manage significant risks;
- (b) the main features of the risk management and internal control systems;
- (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;

- (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and
- (e) the procedures and internal controls for the handling and dissemination of inside information.

*Other duties*

**4.21** to review arrangements by which staff of the Manager and those who deal with the Manager 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 pursuant to the Manager's whistle-blowing programme.

**4.22** to review transactions with "connected person" (as defined in the REIT Code) on a semi-annually basis and to ensure compliance with internal controls as well as the provisions of the Listing Rules and the REIT Code.

The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he or she shall abstain from participating in the review and approval process in relation to that transaction.

**4.23** to review, on a half-yearly basis, dealings by the Manager and Directors pursuant to the Code Governing Dealings in Units by Directors or the Manager as set out in Appendix 4 to Schedule 1 of this Compliance Manual.

**4.24** to review annually the amounts of the public relation-related expenses ("PR Expenses") incurred by the Manager and/or the Trustee and ensure that the annual report of Fortune REIT confirms the following:

- (a) the PR Expenses are incurred in accordance with the internal control procedures of the Manager; and
- (b) the PR Expenses are incurred solely for the purposes as set out in the clause 4.3 of the Trust Deed

**4.25** to review Continually Connected Party Transactions annually, and confirm in Fortune REIT's annual report for the relevant financial year that such transactions have been entered into:

- (i) in the ordinary and usual course of business of Fortune REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions), or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and

- (iii) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Independent Unitholders, as well as the Unitholders as a whole;
- 4.26** to review disclosures in the annual report in relation to Relevant Investments to ensure compliance with the REIT Code;
- 4.27** to review disclosures in the annual report in relation to Property Development and Related Activities to ensure compliance with the REIT Code; and
- 4.28** to report to the Board, identifying and making recommendation on any matters where action or improvement is needed.

## **5. Reporting Procedure**

The Audit Committee shall report to the Board the outcome of its reviews and discussions with the external auditor and its findings on any suspected fraud or irregularity, or suspected infringement of any applicable laws, rules or regulations, or suspected improprieties in matters of financial reporting or other matters, which has or is likely to have a material impact on the operating results or financial position of Fortune REIT.

*(Adopted as of 27 July 2022)*