

**TERMS OF REFERENCE**  
**OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**OF**  
**KERRY PROPERTIES LIMITED**  
**(Stock Code: 00683)**

**1 Preamble**

- 1.1 Kerry Properties Limited (the “**Company**”) was incorporated in Bermuda on 2 January 1996. Its shares were listed on The Stock Exchange of Hong Kong Limited (“**HKE**x”) on 5 August 1996.
- 1.2 The Company has established an audit committee (the “**Audit Committee**”) on 8 December 1998. The Audit Committee is in compliance with the requirements of the Rules Governing the Listing of Securities on HKEEx (the “**Listing Rules**”) and the code provisions of the Corporate Governance Code (the “**CG Codes**”) issued by HKEEx.
- 1.3 The Company’s board of directors (the “**Board**”) believed that it is desirable for the Audit Committee to also monitor and carry out the corporate governance duties of the Company. In this connection, the Company has renamed the Audit Committee as an audit and corporate governance committee (the “**ACG Committee**”) and adopted the terms of reference as set out herein on 30 March 2012 in compliance with the requirements of the Listing Rules and the code provisions of the CG Codes.
- 1.4 In order to bring the terms of reference of the ACG Committee in line with the principles and code provisions of the CG Codes, the Board has revised the terms of reference of the ACG Committee as set out herein with effect from 1 January 2016.
- 1.5 The Board is responsible for defining the responsibility of the ACG Committee.
- 1.6 The Board will receive and consider the reports and recommendations from the ACG Committee for approval.

**2 Duties and Authorities**

- 2.1 As regards the audit duties, the ACG Committee shall be responsible for:-
  - 2.1.1 considering, and be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and answering any questions of its resignation or dismissal;

- 2.1.2 reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards;
- 2.1.3 discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensuring co-ordination where more than one audit firm is involved;
- 2.1.4 developing and implementing 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. The ACG Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 2.1.5 reviewing and monitoring the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Company, and reviewing significant financial reporting judgements contained in them, before submission to the Board, focusing particularly on:-
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.

Regarding the above, members of the ACG Committee should liaise with the Board, senior management, Secretary and the Head of Internal Audit Department of the Company and the ACG Committee shall meet, at least twice a year, with the Company's auditor. The ACG Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and 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 of the Company;

- 2.1.6 reviewing the Company's financial controls, internal control and risk management systems;
- 2.1.7 discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- 2.1.8 considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
  - 2.1.9 ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
  - 2.1.10 reviewing the Company and its subsidiaries' (the "**Group**") financial and accounting policies and practices;
  - 2.1.11 reviewing the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and the management's response;
  - 2.1.12 ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - 2.1.13 reporting to the Board on the matters herein and, in particular, the matters required to be performed by the ACG Committee under the Code Provisions of the CG Code as set out in the Listing Rules;
  - 2.1.14 dealing with other matters delegated by the Board from time to time;
  - 2.1.15 reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
  - 2.1.16 acting as the key representative body for overseeing the Company's relations with the external auditor.
- 2.2 As regards the corporate governance duties, the ACG Committee shall be responsible for:-
- 2.2.1 developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
  - 2.2.2 reviewing and monitoring the training and continuous professional development of the directors of the Company (the "**Directors**") and senior management of the Group;
  - 2.2.3 reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
  - 2.2.4 developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors;

- 2.2.5 reviewing the Company's compliance with the CG Codes and disclosure in the Company's Corporate Governance Report; and
- 2.2.6 ensuring that good corporate governance practices and procedures are established.
- 2.3 The ACG Committee is authorized by the Board to investigate any activity within the terms of reference set by the Board. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the ACG Committee.
- 2.4 The ACG Committee shall be responsible for performing the audit and corporate governance duties as set out in these terms of reference.
- 2.5 The ACG Committee shall have sufficient resources to perform its duties and where necessary, it shall seek independent professional advice, at the Company's expense, to perform its responsibilities.

### **3 Membership**

- 3.1 The members of the ACG Committee are appointed by the Board from amongst the non-executive Directors of the Company.
- 3.2 The term of their office will be determined by the Board.
- 3.3 The ACG Committee comprises not less than three non-executive Directors of the Company, a majority of whom shall be independent non-executive Directors.
- 3.4 The chairman of the ACG Committee shall be appointed by the Board. The chairman of the ACG Committee shall be an independent non-executive Director.
- 3.5 A former partner of the Company's existing auditing firm shall not act as a member of the ACG Committee until two years (or any other period as stipulated in the Listing Rules) from the later of the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.
- 3.6 One of the members of the ACG Committee shall be an independent non-executive Director accepted by HKEx to have the appropriate professional qualifications or accounting or related financial management expertise.
- 3.7 The members of the ACG Committee should be listed in the Company's annual report to shareholders.

### **4 Secretary**

- 4.1 The secretary of the ACG Committee will be the Head of Internal Audit Department or his/her delegate as approved by the ACG Committee.

## **5 Meetings**

- 5.1 Meetings shall be held not less than three times a year and at such times as the chairman of the ACG Committee shall require. One of these meetings will focus on a discussion with the Company's external auditor(s) regarding the nature and scope of audit and reporting obligations prior to the commencement of the annual audit. The Company's external auditor(s) may request additional meetings to be held, if necessary, by giving notice in writing to the chairman of the ACG Committee.
- 5.2 Other Board members shall have the right of attendance. However, at least once a year the ACG Committee shall meet with the representative(s) of the Company's external auditor(s) without executive Directors being present.
- 5.3 The secretary of the ACG Committee, in consultation with the appropriate members of management, will develop the ACG Committee's agenda.
- 5.4 The ACG Committee will issue an agenda of subjects to be discussed for each meeting. Any ACG Committee member shall be entitled, by notice to the secretary of the ACG Committee, to include other matters relevant to the ACG Committee in the agenda of the ACG Committee meeting.
- 5.5 Minutes of the meeting will be prepared by the secretary of the ACG Committee or any other officer duly authorized by the ACG Committee.
- 5.6 The quorum necessary for the transaction of business shall be two ACG Committee members, a majority of whom shall be independent non-executive Directors.
- 5.7 Other than as set out in these terms of reference, the ACG Committee shall adopt such procedures and principles as it sees fit in relation to the proceedings of the ACG Committee.

## **6 Reporting Procedures**

- 6.1 The secretary of the ACG Committee shall keep full minutes of the ACG Committee meetings. Draft and final versions of minutes of the meetings shall be circulated to all ACG Committee members for their comments and records within 10 calendar days after the meeting. Final versions of the minutes shall also be sent to other members of the Board for their information. After each meeting, the ACG Committee shall submit its advice and/or recommendations, if any, for approval of the Board at the next board meeting.
- 6.2 Where the Board disagrees with the ACG Committee's views on the selection, appointment and resignation or dismissal of the external auditor, the ACG Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its opinions and recommendations. The Board shall state in the same report the reason(s) why the Board takes a different view.
- 6.3 The ACG Committee shall report back to the Board on its decisions or recommendations.

- 6.4 The ACG Committee shall compile a report to shareholders on its role and activities to be included in the Company's annual report to shareholders.
- 6.5 The Company Secretary shall be responsible for making available the terms of reference of the ACG Committee, explaining the ACG Committee's role and the authority delegated to the ACG Committee by the Board, by including such terms of reference on the HKEx's website and the Company's website.

## **7 Amendment**

- 7.1 Any amendment to these terms of reference shall be authorized by the Board.

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