



KERRY LOGISTICS NETWORK LIMITED

嘉里物流聯網有限公司

(Incorporated in the British Virgin Islands and continued into
Bermuda as an exempted company with limited liability)

Stock Code 636

Audit and Compliance Committee

Terms of Reference

(Revised on 11 December 2018)

Preamble

1. Kerry Logistics Network Limited (the “Company”) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEx”) on 19 December 2013.

In compliance with the code of provision of the Corporate Governance Codes issued by the HKEx (the “Corporate Governance Code”), an audit and compliance committee (the “Audit and Compliance Committee”) needs to be established with the terms of reference as set out and adopted herein.

Constitution

2. The Audit and Compliance Committee was established by resolutions of the board of directors of the Company (the “Board” and each director of the Board, a “Director”) on 25 November 2013.

Membership

3. The members of the Audit and Compliance Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors and at least one of whom should be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on HKEx (the “Listing Rules”). The quorum of an Audit and Compliance Committee meeting shall be any two members of the Audit and Compliance Committee, one of whom must be an independent non-executive Director.
4. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit and Compliance Committee for a period of two years from 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.
5. The chairman of the Audit and Compliance Committee shall be appointed by the Board and should be an independent non-executive Director.
6. The term of office of a member of the Audit and Compliance Committee shall be determined by the Board.

Attendance at meetings

7. The chief financial officer, the head of internal audit of the Company and representatives of the external auditors shall normally attend meetings. However, at least once a year the Audit and Compliance Committee shall meet with the external and internal auditors without the executive Directors present.

Frequency and procedure of meetings

8. Unless otherwise stated herein, the meetings of the Audit and Compliance Committee are governed by the provisions regulating the meetings and proceedings of Directors in the Company’s bye-laws.

9. Meetings shall be held not less than twice a year or more frequently if the Audit and Compliance Committee determines it to be necessary. The external auditors may request a meeting if they consider that one is necessary. Meetings may be conducted by way of telephone or other electronic means.
10. The secretary of the Audit and Compliance Committee shall be the company secretary of the Company or his/her appointed delegate.
11. An agenda and any accompanying Committee papers should be sent in full to all members of the Audit and Compliance Committee in a timely manner and at least three days before the proposed date of a meeting of the Audit and Compliance Committee (or other agreed period).
12. The Company is obliged to supply the members of the Audit and Compliance Committee with adequate information, in a timely manner, in order to enable them to make informed decisions. Where more detailed and complete information is requested from the senior management, the respective Director shall make further inquiries if needed. The Board or individual director(s) could contact the senior management individually and independently.

Annual General Meeting

13. The chairman of the Audit and Compliance Committee shall attend the Company's annual general meeting and be prepared to respond to any shareholder's questions on the Audit and Compliance Committee's activities.
14. If the chairman of the Audit and Compliance Committee is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Audit and Compliance Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any shareholder's questions on the Audit and Compliance Committee's activities.

Authority

15. The Audit and Compliance Committee is authorised by the Board to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit and Compliance Committee. It is also authorised by the Board to investigate any activity mentioned in these Terms or otherwise affecting the integrity of the Company.
16. The Audit and Compliance Committee is authorised by the Board to obtain outside independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit and Compliance Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external auditors who advise the Audit and Compliance Committee.
17. The Audit and Compliance Committee is authorised by the Board to review the effectiveness of the Company's and its subsidiaries' internal control systems, covering all material controls, including financial, operational and compliance controls and risk management functions including financial, business, operational and other risks of the Company and its subsidiaries to undertake any related investigations.

Duties

18. The duties of the Audit and Compliance Committee shall include:

Relationship with the Company's auditors

- (a) making recommendations to the Board on the appointment, reappointment and/or removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing policy on the engagement of an external auditor to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters requiring action or improvement;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensuring co-ordination where more than one audit firm is involved;
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss;

Review of financial information of the Company

- (f) monitoring the integrity of financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports and before submission to the Board, the Audit and Compliance 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 any requirements from the HKEx and other legal requirements in relation to financial reporting;
- (g) in regard to (f) above:–
 - (i) liaising with the Board, chief financial officer and the person appointed as the Company's external auditor;
 - (ii) meeting, at least twice a year, with the Company's auditors;

- (iii) in addition to (g)(ii) above, meeting, at least once a year, with the Company's auditors without the Company's executive Directors or management present; and
- (iv) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving 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 external auditors;

Oversight of the Company's financial reporting system, risk management and internal control systems

- (h) reviewing the Company's financial controls, and unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;
- (i) discussing the risk management and internal control systems with the senior management to ensure that the senior management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (j) considering the findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and the senior management's response to those findings;
- (k) ensuring that a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries has been conducted at least annually, and report to shareholders in the Company's Corporate Governance Report;
- (l) where an internal audit function exists, ensuring co-ordination between the internal and external auditors and further ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, reviewing and monitoring its effectiveness, monitoring the planning of internal audit processes and overseeing the result of the work of the internal audit function;
- (m) reviewing the financial and accounting policies and practices of the Company and its subsidiaries and associated companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and associated companies, the present subsidiaries and associated companies of the Company or the businesses operated by its present subsidiaries and associated companies or (as the case may be) its predecessor;
- (n) reviewing the external auditor's management letter, any material queries raised by the auditor to the senior management about accounting records, financial accounts or systems of control and the senior management's response;
- (o) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) reporting to the Board on the matters set out in these terms of references;

- (q) establishing a whistle-blowing policy and other means that employees and those who deal with the Company can use, in confidence, to raise concerns about possible improprieties in any matters related to the Company and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (r) acting as the key representative body for overseeing the Company's relation with its external auditor;

Oversight of the Company's corporate governance functions

- (s) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (t) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (u) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (v) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters;
- (w) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (x) reviewing and monitoring the Company's compliance with the Company's whistleblowing policy; and
- (y) considering any other topics, as determined by the Board.

Post-Audit Review Activities

19. In connection with or following the completion of its review of the external audit and internal audit, the Audit and Compliance Committee or its chairman may in their discretion meet with the external auditor, internal auditors or chief financial officer to discuss any changes required in the audit plans for future periods and any other appropriate matters regarding the audit process.

Failure to reach an agreement regarding external auditors

20. Where the Board has taken a different view from the Audit and Compliance Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit and Compliance Committee shall submit a statement to the Company explaining its recommendation, which statement will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix 23 of the Listing Rules.

Reporting procedures

21. Full minutes of the Audit and Compliance Committee's meetings should be kept by the secretary of the Audit and Compliance Committee. The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.

22. Minutes of meetings of the Audit and Compliance Committee should record in sufficient detail the matters considered by the Audit and Compliance Committee and decisions reached, including any concerns raised by the Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit and Compliance Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
23. Without prejudice to the generality of the duties of the Audit and Compliance Committee set out above, the Audit and Compliance Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on doing so.

Provision of Terms

24. The Audit and Compliance Committee should provide these Terms upon request and upload it to the HKEx's website and the Company's website to explain the duties of the Audit and Compliance Committee and the authority the Board has granted to it.

Approval of Disclosure Statements

25. The Audit and Compliance Committee shall be responsible for approving all disclosure statements in relation to the Audit and Compliance Committee, including but not limited to relevant disclosure statements in annual reports, interim reports and information uploaded on the HKEx's website and the Company's website.

Review of Terms

26. The Audit and Compliance Committee shall review these terms of references annually, and may consider and submit to the Board any proposed changes that the Audit and Compliance Committee deems appropriate or advisable.