

# **Beijing Enterprises Holdings Limited**

## **Terms of Reference of Audit Committee**

### **Membership**

1. The Audit Committee (the “**Committee**”) shall consist of at least three members of the board of directors (the “**Board**”) of Beijing Enterprises Holdings Limited (the “**Company**”) and comprise non-executive directors only.
2. At least one Committee member is 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.
3. The majority of the Committee members must be independent non-executive directors.
4. The chairperson of the Committee shall be an independent non-executive director.
5. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing to be a partner of the firm or to have any financial interest in the firm whichever is the later.

### **Secretary**

The Committee may from time to time appoint any individual suitably qualified to act as the Committee’s secretary. If no such appointment has been made, the company secretary of the Company or his nominee shall act as the Committee’s secretary.

### **Frequency and proceedings of meetings**

1. The Committee shall meet at least twice a year. Additional meetings shall be held as the work of the Committee demands.
2. Subject to the provisions of the Listing Rules and unless these Terms of Reference otherwise require, proceedings of the Committee’s meetings shall be governed by the Company’s Articles of Association.

### **Duties, powers and functions**

#### *Relationship with the Company’s auditors*

- (a) 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;
- (b) to 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; and
- (c) 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of the Company’s financial information*

- (d) to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) 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 auditors; 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 Company’s staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- (f) to review the Company’s financial controls, and to review the Company’s risk management and internal control systems;
- (g) 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 Company’s accounting and financial reporting function;
- (h) 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;
- (i) 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;
- (j) to review the group’s financial and accounting policies and practices;

- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the code provision stipulated in Appendix 14 of the Listing Rules; and
- (n) to consider other topics, as defined by the Board.

*Investigate improprieties AND act as the key representative body for overseeing the Company's relations with the external auditor*

- (a) to review arrangements by which employees of the Company may 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 the fair and independent investigation of such these matters and for appropriate follow-up action; and
- (b) to act as the key representative body for overseeing the Company's relations with the external auditor.

**Reporting**

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

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