



**BEIJING PROPERTIES (HOLDINGS) LIMITED**

**北京建設（控股）有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 925)**

**(the “Company”)**

**TERMS OF REFERENCE**

**OF**

**AUDIT COMMITTEE**

**1. Purpose**

The key purpose of the establishment of the Audit Committee of the Company (the “Committee”) is to consider the qualifications of internal audit officer, external audit organizations and officers on behalf of the Board; review financial reports and audit reports of the Company; examine the internal control of the enterprise, monitor the effective implementation of internal control and self-assessment of internal control; negotiate internal control audit and other related issues, and bear the responsibility for explanation to the stakeholders of the Company.

**2 Membership and Secretary**

2.1 The Committee shall be appointed by the board of directors (the “Board”) from amongst the directors of the Company and shall consist of not less than four members. All members shall be non-executives directors of the Company but more than half of whom shall be independent non-executive directors, and at least one of whom shall has appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2.2 The Committee shall have a chairman and who shall be appointed by the Board of the Company. Apart from chairing the work of the Committee, the chairman shall attend all shareholders’ meetings.

2.3 A former partner of the Company's existing independent auditors shall be prohibited from acting as a member of the 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 later.

2.4 The Company Secretary shall be the secretary of the Committee (the Committee Secretary).

2.5 Any change of member and secretary of the Committee shall be approved by the Committee and the Board.

### **3 Proceedings of meetings**

3.1 The Committee shall meet at least twice per year and additional meetings can be held when demanded. Besides, the chairman of the Committee can convene meetings at any time.

3.2 Except that all members unanimously waive such notice period, notice of meetings shall be delivered at least seven days prior to such meeting (notice of additional meetings shall be delivered at least three days in advance). Irrespective of the length of notice being given, attendance of the meeting by the members shall be deemed a waiver of the requisite length of notice of meeting by such member.

3.3 Independent external auditors can request convening of meetings at any time.

3.4 The quorum for a meeting of the Committee shall be three members of the Committee or above attending the meeting.

3.5 Meetings can be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment whereby all persons participating in the meeting are capable of hearing each other.

3.6 Only the members of the Committee are entitled to vote on any resolutions at the meetings.

3.7 Resolutions of the Committee at any meetings shall be passed by a simple majority of votes of the members present.

3.8 Complete minutes of meeting shall be kept by the secretary of the Committee. Draft and final versions of minutes of meetings shall be sent to all members for their comments and records, respectively, within a reasonable time after the meeting. Minutes of meetings shall be available for inspection by members.

#### **4 Written resolution**

Upon unanimous approval by all members of the Committee, the Committee may resolve any matters by written resolution, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

#### **5 Appointment of representative**

Member of the Committee cannot appoint representative.

#### **6 Duties, power and discretion**

The Committee shall have the following duties, power and discretion:

##### **6.1 Authorities**

6.1.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6.1.2 The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

6.1.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

6.1.4 The Committee shall be provided with sufficient resources to discharge its duties.

## **6.2 Responsibility**

6.2.1 The Committee is to serve as a focal point for communication between other directors, the independent external auditor and the internal auditor as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.

6.2.2 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls of the Company and its subsidiaries (the “Group”), and as to the adequacy of the external and internal audits.

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

6.3.1 The Committee is to:

- (a) be responsible for making recommendation 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 resignation or dismissal of that auditor;
- (b) review with the Group’s management, external auditor and internal auditor, the adequacy of the Group’s policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the board;
- (c) have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) before audit commencement, review external auditor’s independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;

- (e) review the annual and interim financial reports prior to approval by the board, with particular focus on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting and auditing standards; and
  - (vi) compliance with the listing requirements of The Stock Exchange of Hong Kong Limited and legal requirements;
- (f) with regard to (e) above:
  - (i) members of the Committee must 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 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, compliance officer or auditor;
- (g) review the draft representation letter prior to approval by the Board;
- (h) evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;

- (i) seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (j) discuss with the external auditor any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;
- (k) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (l) review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (m) 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;
- (n) review the Company's financial reporting, 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;
- (o) 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, and make recommendations to the Board on the above aspects;
- (p) 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;

- (q) 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 issuer, and to review and monitor its effectiveness;
- (r) apprise the Board of significant developments in the course of performing the above duties;
- (s) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (t) review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (u) agree with the Board the Company's policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit;
- (v) review arrangements by which employees, in confidence can 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;
- (w) act as the key representative body for overseeing the Company's relations with the external auditor;
- (x) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (y) review and monitor the training and continuous professional development of directors and senior management;
- (z) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (aa) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

- (bb) review the Company's compliance with the code and disclosure in the Corporate Governance Report;
- (cc) report to the Board on above matters;
- (dd) consider other topics, as requested by the Board;
- (ee) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
- (ff) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by applicable legislation and regulations.

## **7 Minutes of Meeting and Reporting Procedures**

7.1 Final version of minutes of meetings of the Committee shall be maintained and shall be reported in written format to the Board.

7.2 The Committee Secretary is responsible for delivery of minutes of the Committee to the Board.

7.3 The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee (if any).

## **8 Right of Explanation**

The right of explanation of this term of reference belongs to the Board.

*(Adopted by the Board on 30 March 2012, revised on 24 March 2016, and subsequently revised on 31 December 2018 and 15 August 2023.)*