

# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Saved as disclosed below, the directors of Beijing Enterprises Holdings Limited (the “Company”) believe that during the year ended 31 December 2015, the Company has complied with the code provisions (the “Code Provisions”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

During the year, the Company held three full board meetings instead of at least four full board meetings as required under Code Provision A.1.1. The directors consider it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.

Under Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all independent non-executive directors and non-executive director attended general meetings of the Company due to other business engagements, which have deviated from Code Provision A.6.7.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules for securities transactions by the directors. All the directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2015.

## BOARD OF DIRECTORS

### Composition and Role

The principal focus of the board is on the overall strategic development of the Company and its subsidiaries (collectively the “Group”), while the management is principally responsible for the Group’s business operations. The board provides guidance on business plans and monitors the results of such plans implemented by the management; reviews and approves the Company’s financial objectives, plans and major financial activities; establishes the internal control system and the risk management system of the Company and discusses with the management regularly to ensure that such systems are operating effectively. The board promotes a culture of integrity at the Company and requires all directors and the management to comply with guidance related to integrity and ethics, including conflicts of interest, related party transactions and the treatment of confidential information. There is no relationship (including financial, business, family or other material/relevant relationships) among the directors (including the chairman and the chief executive officer).

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Composition and Role *(Continued)*

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive directors. In addition, at least one independent non-executive director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The board considers that all independent non-executive directors meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

During the year, the attendance of board meetings and general meetings is set out below:

Name	Attendance <sup>^</sup>				
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Corporate Governance & Risk Management Committee Meeting	Annual General Meeting
<b>Executive Directors</b>					
Wang Dong <i>(Chairman)</i>	3/3		2/2		1/1
Hou Zibo <i>(Vice Chairman)</i>	3/3				
Zhou Si <i>(Vice Chairman &amp; CEO)</i>	3/3			1/1	1/1
Li Fucheng <i>(Vice Chairman)</i>	3/3				
Li Yongcheng <i>(Vice Chairman)</i>	3/3				
E Meng <i>(Executive Vice President)</i>	2/3	1/2			
Jiang Xinhao <i>(Vice President)</i>	3/3			0/1	
Tam Chun Fai <i>(CFO &amp; Company Secretary)</i>	3/3	2/2			1/1
<b>Non-executive Director</b>					
Guo Pujin <i>(resigned on 28 August 2015)</i>	0/1				0/1
<b>Independent Non-executive Directors</b>					
Wu Jiesi	3/3	1/2			0/1
Lam Hoi Ham	3/3	2/2	2/2	1/1	1/1
Fu Tingmei	3/3	2/2	2/2	1/1	1/1
Sze Chi Ching	3/3				0/1
Shi Hanmin	3/3				0/1
Yu Sun Say	3/3			1/1	1/1

Note <sup>^</sup>: During the year, no meeting was attended by any director's alternate.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Directors' Training

It has been the board's policy that every newly appointed director is given a comprehensive, formal and tailored-made induction on appointment pursuant to Code Provision A.6.1. Also, from time to time, directors are provided with briefings and trainings to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under relevant statutes, laws, Listing Rules and other regulations.

Pursuant to Code Provision C.1.2, directors are provided with monthly reports updates which give a balanced and understandable assessment of the Company's performance and financial position to enable the directors to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

During the year, the Company organised an in-house seminar and provided reading materials for the directors to ensure that they have participated in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by directors during the year according to the records provided by the directors is as follows:

<b>Name</b>	<b>Attend Seminars/ Read Training Materials</b>
<b><i>Executive Directors</i></b>	
Wang Dong	✓
Hou Zibo	✓
Zhou Si	✓
Li Fucheng	✓
Li Yongcheng	✓
E Meng	✓
Jiang Xinhao	✓
Tam Chun Fai	✓

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Directors' Training *(Continued)*

<b>Name</b>	<b>Attend Seminars/ Read Training Materials</b>
<b><i>Non-executive Director</i></b>	
Guo Pujin	✓
<b><i>Independent Non-executive Directors</i></b>	
Wu Jiesi	✓
Lam Hoi Ham	✓
Fu Tingmei	✓
Sze Chi Ching	✓
Shi Hanmin	✓
Yu Sun Say	✓

### **Chairman and Chief Executive Officer**

Mr. Wang Dong is the chairman of the board of the Company, and Mr. Zhou Si is the chief executive officer. The Company has complied with Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

### **Non-executive Directors**

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. They have the same duties of care and skill and fiduciary duties as executive directors.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Non-executive Directors *(Continued)*

The Company has entered into letters of appointment with all non-executive directors (including independent non-executive directors) for a term of three years. Their term of appointment is as follows:

Name	Term of Appointment
Guo Pujin (resigned on 28 August 2015)	3 years from 28 March 2013
Wu Jiesi	3 years from 1 April 2015
Lam Hoi Ham	3 years from 1 April 2015
Fu Tingmei	3 years from 1 April 2015
Sze Chi Ching	3 years from 28 March 2013
Shi Hanmin	3 years from 28 March 2013
Yu Sun Say	3 years from 31 March 2014

Like all other directors, the non-executive directors (including independent non-executive directors) are subject to retirement by rotation and shall offer themselves for re-election in general meetings in accordance with the Company's articles of association.

### Corporate Governance Functions

The board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;  
and
- (e) to review the Company's compliance with the Code Provisions.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The current members of the Audit Committee are:

Mr. Lam Hoi Ham – Committee Chairman

Mr. Wu Jiesi

Mr. Fu Tingmei

All Audit Committee members are independent non-executive directors. The board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial procedure and internal controls system of the Company. The Company has adopted the written terms of reference which describe the authority and duties of the Audit Committee in accordance with Code Provision C.3.3. A copy of the terms of reference is posted on the Company's website. The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

During the year, the work performed by the Audit Committee included: reviewed and approved the Company's annual results and interim results; reviewed the external auditors' scope of services, including audit work and non-audit work, and monitored their independence; reviewed with the management the Company's accounting principles and practices; and discussed with the Company's management the effectiveness of its internal control system.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The current members of the Remuneration Committee are:

Mr. Wu Jiesi – Committee Chairman  
Mr. Lam Hoi Ham  
Mr. Zhou Si

The majority of the Remuneration Committee members are independent non-executive directors. The Company has adopted the written terms of reference which describe the authority and duties of the Remuneration Committee in accordance with Code Provision B.1.2. A copy of the terms of reference is posted on the Company's website. The major duties of the Remuneration Committee include: advises the board on the Company's overall remuneration policy and structure as well as remuneration packages for directors and senior management of the Company; and ensures that no director of the Company or any of his associate is involved in deciding his own remuneration.

The objective of the remuneration policy of the Company is to provide an equitable and competitive remuneration package so as to attract and retain the best employees to serve corporate needs. The remuneration package for each employee is structured to include: basic salary which is fixed to commensurate with market rate and each individual's experience and ability; share options granted with reference to an individual employee's position, performance and ability to contribute to the overall corporate success (the granting of share options is subject to shareholders' mandates as required and the applicable laws and regulations of relevant jurisdictions); and other customary and/or mandatory benefits to employees, such as retirement fund scheme, insurance and paid holiday, with reference to prevailing practices in relevant jurisdictions.

In evaluating the remuneration packages for directors and senior management, the Remuneration Committee takes into consideration various factors such as salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group. During the year, no Remuneration Committee meeting was held as the terms of employment of directors remained unchanged.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The current members of the Nomination Committee are:

Mr. Wang Dong – Committee Chairman

Mr. Lam Hoi Ham

Mr. Fu Tingmei

The majority of the Nomination Committee members are independent non-executive directors. The Company has adopted the written terms of reference which describe the authority and duties of the Nomination Committee in accordance with Code Provision A.5.2. A copy of the terms of reference is posted on the Company's website. The major duties of the Nomination Committee include: to review the structure, size and diversity of the board; to make recommendations to the board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive directors; and to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

The Company recognizes the benefits of having a diverse Board to enhance the Company's performance. The Nomination Committee has adopted a policy concerning diversity of Board members to create an inclusive environment and encourage our staff to aspire to senior leadership roles regardless of one's gender, age, cultural and educational background or professional experience. The composition, experience and balance of skills on the Board are regularly reviewed by the Nomination Committee to ensure that the board retains a core of members with longstanding and deep knowledge of the Group alongside new directors who bring fresh perspectives and diverse experiences to the board. During the year, the Nomination Committee reviewed the composition of the board upon the retirement of Non-executive Director Mr. Guo Pujin and concluded that the composition, experience and balance of skills on the board were still strong upon Mr. Guo's retirement.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE AND RISK MANAGEMENT COMMITTEE

The current members of the Corporate Governance and Risk Management Committee are:

Mr. Zhou Si – Committee Chairman

Mr. Jiang Xinhao

Mr. Lam Hoi Ham

Mr. Fu Tingmei

Mr. Yu Sun Say

The Corporate Governance and Risk Management Committee was established in August 2015 with an aim to strengthen the Company's corporate governance and risk control on business operations and financial management of the Group. The majority of the members of the committee are independent non-executive directors. During the year, the work performed by the committee included: assessed important investments of the Group and gave the Board its advice thereon. The Company's risk management system and the Group's internal control policy had also been discussed by the committee.

## AUDITORS' REMUNERATION

During the year ended 31 December 2015, fees paid and payable to the Company's external auditors for audit services were approximately HK\$8.8 million; fees paid and payable for non-audit services were approximately HK\$9.98 million, which included fees for an agreed-upon procedures engagement in connection with the Group's interim financial report and fees on work on bond issues, due diligence on specific projects and tax compliance services etc.

## DIRECTORS' AND AUDITORS' RESPONSIBILITY STATEMENTS

The directors acknowledged responsibility for reviewing the accounts of the Company prepared by the executive board for the year ended 31 December 2015 and ensuring the accounts are prepared in accordance with the Hong Kong Financial Reporting Standards. A statement by the auditors about their reporting responsibilities is contained in the Independent Auditors' Report.

The board confirmed that it has taken the same view from that of the Audit Committee regarding the appointment of the external auditors.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL

The board has delegated power to oversee the internal control system of the Company to ensure that such system is operating effectively. During the year ended 31 December 2015, the board conducted an annual review and engaged in a discussion with the management on the effectiveness of the internal control system to satisfy itself that the internal control system of the Company was designed and operated effectively during the year. The review has covered all material controls, including financial, operational and compliance controls and risk management functions.

## COMPANY SECRETARY

The executive director and chief financial officer, Mr. Tam Chun Fai, has been the company secretary of the Company since 1997. Pursuant to Rule 3.29 of the Listing Rules. During the year 2015, Mr. Tam took no less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

### To Convene an Extraordinary General Meeting ("EGM") by Shareholders

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), shareholder(s) of the Company holding at least 5% of the total voting rights of all the shareholders having a right to vote at EGMs can submit a written requisition to convene an EGM.

The written requisition:

1. must state the general nature of the business to be dealt with at the meeting;
2. may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;
3. may consist of several documents in like form;
4. may be sent to the Company in hard copy form or in electronic form; and
5. must be authenticated by the person or persons making it.

If directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from the said date.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS *(Continued)*

### To Make Enquiries to the Board

1. Shareholders should direct their questions about their shareholdings to the Company's share registrar.
2. Enquiries made to the board may be deposited at the Company's registered office for the attention of the company secretary.

### To Put forward Proposals at an Annual General Meeting ("AGM")

Shareholder(s) can submit a written requisition to move a resolution at an AGM pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) if they:

1. represent at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the AGM to which the requests relate; or
2. represent at least 50 shareholders who have a right to vote on the resolution at the AGM to which the requests relate.

The written requisition:

1. may be sent to the Company in hard copy form or in electronic form;
2. must identify the resolution of which notice is to be given;
3. must be authenticated by the person or persons making it; and
4. must be received by the Company not later than:
  - (i) 6 weeks before the AGM to which the requests relate; or
  - (ii) if later, the time at which notice is given of that meeting.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS *(Continued)*

### **Circulating a Statement at an AGM or at a General Meeting**

Shareholder(s) can pursuant to Section 580 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) request the Company to circulate to shareholders entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting, if such shareholder(s) –

1. represent at least 2.5% of the total voting rights of all shareholders who have a relevant right to vote; or
2. at least 50 shareholders who have a relevant right to vote.

The request –

1. may be sent in hard copy form or in electronic form to the Company's registered office;
2. must identify the statement to be circulated;
3. must be authenticated by the person or persons making it; and
4. must be received by the Company at least 7 days before the meeting to which it relates.

### **To Propose a Person other than a Director for Election as a Director at any General Meeting**

Pursuant to Article 111 of the articles of association of the Company, if a shareholder wishes to propose a person, other than a retiring director or a person recommended by the directors, for election as a director of the Company at a general meeting, such shareholder, who is duly qualified to attend and vote at such general meeting, should lodge a written and signed notice of nomination and a notice signed by the person to be proposed of his willingness to be elected at the Company's registered office or at the Company's share registrar. The notices should be given within the period commencing on the day after dispatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days.

## CONSTITUTIONAL DOCUMENTS

A general meeting of the Company was convened on 11 June 2015 to pass the resolution for adoption of new articles of association.