



# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, the board of Directors (the “Board”) of Beijing Enterprises Holdings Limited (the “Company”) believe that during the year ended 31 December 2017, 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 two 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.

Mr. Hou Zibo has assumed the positions of Chairman and Chief Executive Officer since 1 September 2017. This arrangement deviates from Code Provision A.2.1 which recommends that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board considers that the appointment of Mr. Hou Zibo as Chairman and Chief Executive Officer can bring benefits to the Company’s business development and management at present, and will not impair the balance of power and authority between the Board and the management of the Company.

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 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 of the Company (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 2017.

## 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.



# 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	Remuneration Committee Meeting	Nomination Committee Meeting	Investment Committee Meeting	Annual General Meeting
<b>Executive Directors</b>						
Hou Zibo**		(Chairman & CEO)	1/2		0/0	
Li Yongcheng		(Vice Chairman)	2/2			
Zhao Xiaodong**		(Vice Chairman)	0/0			
E Meng		(Executive Vice President)	2/2			
Jiang Xinhao		(Vice President)	2/2		0/0	
Tam Chun Fai		(CFO & Company Secretary)	2/2			1/1
Wang Dong**		(Resigned on 1 September 2017)	1/2		1/2	0/1
Zhou Si**		(Resigned on 1 September 2017)	2/2	1/1		
Li Fucheng**		(Resigned on 1 September 2017)	2/2			
<b>Independent Non-executive Directors</b>						
Wu Jiesi	2/2		2/2	1/1		0/1
Lam Hoi Ham	2/2		2/2	1/1	2/2	0/0
Sze Chi Ching	2/2					0/1
Yu Sun Say	2/2				0/0	1/1
Ma She	2/2		1/1	1/1	0/0	0/1
Fu Tingmei*	1/1	(Retired on 22 June 2017)	1/1	1/1	1/1	0/1

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

Note \*: On 22 June 2017:

- Mr. Fu Tingmei retired as Independent Non-executive Director with effect from the conclusion of the annual general meeting.



# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Composition and Role *(Continued)*

Note \*\*: On 1 September 2017:

- Executive Director and Vice Chairman Mr. Hou Zibo was re-designated as Executive Director, Chairman of the Board and CEO.
- Mr. Zhao Xiaodong was appointed as Executive Director and Vice Chairman of the Board.
- Mr. Wang Dong resigned as Executive Director and Chairman of the Board.
- Mr. Zhou Si resigned as Executive Director, Vice Chairman of the Board and CEO due to retirement.
- Mr. Li Fucheng resigned as Executive Director and Vice Chairman of the Board due to retirement.

### 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:

Name	Attend Seminars/ Read Training Materials
<b><i>Executive Directors</i></b>	
Hou Zibo	✓
Li Yongcheng	✓
Zhao Xiaodong	✓
E Meng	✓
Jiang Xinhao	✓
Tam Chun Fai	✓
Wang Dong <i>(Resigned on 1 September 2017)</i>	N/A
Zhou Si <i>(Resigned on 1 September 2017)</i>	N/A
Li Fucheng <i>(Resigned on 1 September 2017)</i>	N/A



# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS *(Continued)*

### Directors' Training *(Continued)*

Name	Attend Seminars/ Read Training Materials
<b><i>Independent Non-executive Directors</i></b>	
Wu Jiesi	✓
Lam Hoi Ham	✓
Sze Chi Ching	✓
Yu Sun Say	✓
Ma She	✓
Fu Tingmei <i>(retired on 22 June 2017)</i>	N/A

### Non-executive Directors

Non-executive Directors (during the year, all Non-executive Directors of the Company are Independent Non-executive Directors) serve the relevant function of bringing independent judgment on the development and performance, etc. of the Group. They have the same duties of care and skill and fiduciary duties as executive directors.

The Company has entered into letters of appointment with all Non-executive Directors (during the year, all Non-executive Directors of the Company are Independent Non-executive Directors) for a term of three years. Their term of appointment is as follows:

Name	Term of Appointment
Wu Jiesi	3 years from 1 April 2018
Lam Hoi Ham	3 years from 1 April 2018
Sze Chi Ching	3 years from 28 March 2016
Yu Sun Say	3 years from 31 March 2017
Ma She	3 years from 29 December 2016

Like all other Directors, the Non-executive Directors (during the year, all Non-executive Directors of the Company are 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 REPORT

## **BOARD OF DIRECTORS** *(Continued)*

### **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.

## **AUDIT COMMITTEE**

The current members of the Audit Committee are:

- Mr. Lam Hoi Ham – Committee Chairman
- Mr. Wu Jiesi
- Mr. Ma She (appointed on 22 June 2017 to replace 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 overseeing the Company's financial reporting system, risk management and internal controls systems 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 risk management and internal control systems.



# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The current members of the Remuneration Committee are:

Mr. Wu Jiesi – Committee Chairman

Mr. Lam Hoi Ham

Mr. Hou Zibo (appointed on 1 September 2017 to replace 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 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 of the Company, 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, the Remuneration Committee advised the Board on the Company's overall remuneration policy and structure as well as remuneration packages for Directors and senior management of the Company.



# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The current members of the Nomination Committee are:

Mr. Hou Zibo – Committee Chairman (appointed on 1 September 2017 to replace Mr. Zhou Si)

Mr. Lam Hoi Ham

Mr. Ma She (appointed on 22 June 2017 to replace 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 made recommendations to the Board about the Board changes. The Nomination Committee reviewed the composition of the Board and concluded that the composition, experience and balance of skills on the Board were still strong.



# CORPORATE GOVERNANCE REPORT

## INVESTMENT COMMITTEE

The current members of the Investment Committee are:

Mr. Hou Zibo – Committee Chairman (appointed on 1 September 2017 to replace Mr. Zhou Si)

Mr. Jiang Xinhao

Mr. Lam Hoi Ham

Dr. Yu Sun Say

Mr. Ma She (appointed on 22 June 2017 to replace Mr. Fu Tingmei)

The Investment Committee was established with the aims to strengthen the Company's ability in decision making for investments through assessing its major development plans and transactions, etc. The majority of the Investment Committee members are Independent Non-executive Director. During the year, the Investment Committee did not hold any meeting as the Group did not have any important investment to assess important investments.

## AUDITORS' REMUNERATION

During the year ended 31 December 2017, fees paid and payable to the Company's external auditors for audit services were approximately HK\$13 million; fees paid and payable for non-audit services were approximately HK\$5.89 million, which included fees for an agreed-upon procedures engagement in connection with the Group's interim financial report 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 Directors for the year ended 31 December 2017 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

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control systems to safeguard the interests of the shareholders of the Company and the assets of the Group. The review covers all material controls, including financial, operational and compliance controls. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

### **Responsibilities of the Board for the Risk Management and Internal Control Systems**

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board is also responsible for overseeing its risk management and internal control systems on an ongoing basis and reviewing the effectiveness of the risk management and internal control systems has been conducted at least annually. The Board understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Main Features of the Risk Management and Internal Control Systems**

The Board has adopted a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

An ongoing risk management approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives.

The Group has also established a risk management framework with three lines of defense. Business departments and risk owners manage risks in the front line. The risk management function will coordinate, facilitate and organise risk management activities. The Internal Audit Department of the Group is monitoring and overseeing the internal control effectiveness independently.

### **Process Used to Identify, Evaluate and Manage Significant Risks**

After interviewing major process owners of each of our departments and our major subsidiaries, we have documented the risks, identified the risk owners and the risk control measures in the risk registers. We have also assessed the risks in accordance of the risk assessment criteria.



# CORPORATE GOVERNANCE REPORT

## **RISK MANAGEMENT AND INTERNAL CONTROL** *(Continued)*

### **Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects**

The Internal Audit Department has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017 and reported the review results to the Audit Committee.

The Board has supervised the management in the design, implementation and monitoring of the risk management and internal control systems and evaluated the effectiveness of the Group's risk management and internal control systems during 2017. The yearly review covers all material controls, including financial, operational and compliance controls and the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.

The Board considers the risk management and internal control systems of the Group of the reporting year are effective and adequate.

### **Procedures and Internal Controls for the Handling and Dissemination of Inside Information**

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

## **COMPANY SECRETARY**

The Executive Director and Chief Financial Officer, Mr. Tam Chun Fai, has been the company secretary of the Company since 1997. During the year 2017, Mr. Tam took no less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules.



# CORPORATE GOVERNANCE REPORT

## 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.

### 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.



# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS *(Continued)*

### 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

During the year ended 31 December 2017, there was no significant change in the Company's constitutional documents.