



北控醫療健康產業集團有限公司  
Beijing Enterprises Medical And Health Industry Group Limited

**BEIJING ENTERPRISES MEDICAL AND HEALTH INDUSTRY GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2389)**

Terms of Reference (“TOR”) for the Audit Committee updated on 16 December 2015.

**Formation**

The audit committee (“**Audit Committee**”) of Beijing Enterprises Medical and Health Industry Group Limited (the “**Company**”) was formed according to the resolution of the board of directors of the Company (the “**Board**”) passed on 20 April, 2002 subject to the provisions contained in memorandum and articles of association of the company (the “**M&A**”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**Composition and Quorum**

1. The Committee shall consist of at least three members (“**Members**”) appointed by the Board, all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors under the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited.
2. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year commencing on 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; The Audit 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.
3. The company secretary will be the secretary of the Audit Committee.
4. The Audit Committee should meet at least two times per year. Additional meetings should be held as the work of the Audit Committee demands.
5. The external auditors may request a meeting if they consider that one is necessary.
6. Seven days’ notice or such shorter notice as may be agreed by all Members will be given by the secretary specifying the place, date, time and agenda of the meeting.
7. The Chairman of the Audit Committee shall chair all the Audit Committee meetings. If the chairman is absent, the Members present may choose one of their members to be the chairman of the meeting.
8. The Chairman (or in his/ her absence, and alternative member) of the Audit Committee shall attend the annual general meetings of the Company and be prepared to answer questions at the annual general meeting.

9. The quorum necessary for the transaction of the business of Audit Committee shall be two, one of whom shall be an independent non-executive director.
10. Unless otherwise provided in these TOR, the meetings and proceedings are governed by the provisions contained in M&A for regulating meeting and proceedings of directors.
11. Questions arising at any meeting shall be determined by a majority of votes. Chairman of the meeting has casting vote when the votes of the other members are equal on both sides.
12. The secretary of the meeting shall minute the proceedings and resolutions of all meetings as well as keep appropriate records and the minutes are open for inspection at any reasonable times and on reasonable notice by any member of the Board or the Audit Committee.
13. Minutes of meetings should record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by members or dissenting views expressed. Draft and final version of minutes of meeting should be sent to all members for their comment and records respectively, in both cases within a reasonable time after the meeting is held.
14. Where signatures from all members of the Audit Committee are obtained, the Audit Committee is entitled to pass written resolutions.

### **Authority**

1. The Audit Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Audit Committee. The Audit 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.
2. The Audit Committee shall report to the Board any suspected frauds and irregularities, failures of risk management and internal control systems 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.
3. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Audit Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Audit Committee's view and the reasons why the Board has taken a different view.
4. The Audit Committee is to be provided with sufficient resources to discharge its duties.

### **Responsibility**

1. The Audit Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, risk management and internal control systems,

external and internal audits and such other matters as the Board determines from time to time.

2. The Audit 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 control systems of the Company and its subsidiaries (the “group”), and as to the adequacy of the external and internal audits.

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

1. The Audit 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) (unless expressly addressed by a separate risk committee, or the Board itself) review with the group’s management, external auditor and internal auditor, the effectiveness of the issuer’s internal audit function, the adequacy of the group’s policies and procedures regarding risk management and internal control systems (including financial, operational and compliance controls), 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 Audit Committee should understand the factors considered by the external auditor in determining their audit scope;
  - (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 Audit Committee must liaise with the Board and senior management, and the Audit Committee must meet, at least twice a year, with the external auditor; and
  - (ii) the Audit 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) 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;
- (h) 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;
- (i) 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;
- (j) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (k) 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;
- (l) the engagement of the external auditor to perform non-audit services is generally 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 Audit Committee is required;
- (m) discuss with management the scope and quality of risk management and internal control systems and ensure that management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget;

- (n) apprise the Board of significant developments in the course of performing the above duties;
- (o) recommend to the Board any appropriate extensions to, or changes, in the duties of the Audit Committee;
- (p) review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of risk management and internal control systems or infringements of laws, rules and regulations;
- (q) review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, risk management, internal control systems or other matters. The Audit Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action;
- (r) act as the key representative body for overseeing the group relations with the external auditor;
- (s) engage such external professional advisors to assist and/or advise the Audit Committee on issues as it considers necessary;
- (t) The Audit Committee is entitled to invite third parties, other members of the Board, senior management and staff of all functional departments to attend meetings of the Audit Committee;
- (u) report to the Board on above matters;
- (v) consider other topics, as requested by the Board; and
- (w) The interpretation right to this TOR shall be vested on the Board of the Company.