

# **Beijing Media Corporation Limited**

## **Rules of Procedures of the Audit Committee**

*(A company incorporated in the People's Republic of China with limited liability)*

### **Chapter 1 General Provisions**

- Article 1      These rules are formulated for the Audit Committee (the “Committee”) established by the board of directors (the “Board”) of Beijing Media Corporation Limited (the “Company”) in accordance with the Company Law of the People’s Republic of China (“Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of the Stock Exchange”), the Articles of Association of Beijing Media Corporation Limited (“Articles of Association”), the Rules of Procedures of the Board of Directors of Beijing Media Corporation Limited (“Rules of Procedures of the Board”) and other relevant regulations, in order to establish standard audit and risk management systems and procedures of the Company.
- Article 2      The Committee is a special working unit established under the Board to provide advices and make recommendations for its decision-making, which shall report to the Board.
- Article 3      These rules shall govern the Committee and relevant personnel and departments specified herein.

### **Chapter 2 Committee Composition**

- Article 4      The Committee shall consist of not less than three directors, all being non-executive directors, a majority of which shall be independent non-executive directors, and shall be chaired by an independent non-executive director. At least one member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules of the Stock Exchange. Members of the Committee shall be nominated by the Chairman of the Board and considered and approved by the Board. The Committee composition shall be in compliance with the Listing Rules of the Stock Exchange from time to time.
- Article 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 1 year from the date of his/her ceasing:

- (1) to be a partner of the auditing firm;
  - (2) to have any financial interests in the auditing firm,
- whichever is later

Article 6 The Committee shall have one chairman, who shall be nominated by the Chairman of the Board and considered and approved by the Board.

Article 7 The Committee shall have one secretary who shall either be the secretary to the Board or an employee of the Board Office appointed by the secretary to the Board.

Article 8 The term of office of the Committee shall be in congruence with that of the same session of the Board. The term of office of members of the Committee shall be in congruence with that of directors, renewable upon re-election at its expiry. If a member no longer maintains the position as a director of the Company during the term, he or she shall automatically lose the qualification as a member of the Committee.

Article 9 A member of the Committee may request to the Board to resign before expiry of his/her term of office, in which case the resignation letter shall include necessary statements on the reason of resignation and any matters that need to be brought to the attention of the Board.

Article 10 Members of the Committee are subject to adjustments during their terms, if so proposed by the Chairman of the Board and considered and approved by the Board.

Article 11 In the event that the number of members of the Committee falls below the quorum hereunder, the Board shall fill up the vacancy in accordance with the rules herein.

### **Chapter 3 Terms of Reference of the Committee**

Article 12 The major terms of reference of the Committee include:

- (1) to be 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;

- (2) to examine annual audit plan submitted by the external auditor and provide opinions;
- (3) to review and monitor the external auditor's independence and objectivity, for which the Committee shall:
  - 1) obtain from the external auditor annually, information about policies and processes adopted by the external auditor for maintaining independence and monitoring compliance with relevant requirements, including requirements regarding provision of non-audit services and rotation of audit partners and staff;
  - 2) review all non-audit services provided and relevant fees charged by the external auditor annually to ensure that its independence would not be affected by such services;
  - 3) review the policies relating to the hiring of the employees of the external auditor, monitor the application of such policies, and consider whether in the light of this there has been any impairment of the auditor's judgment or independence for the audit.
- (4) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (5) to develop and implement policy engaging an external auditor to supply non-audit services (for this purpose, external auditor shall include 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 as part of the audit firm nationally or internationally), and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (6) to monitor integrity of financial statements of the Company and its 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 this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Committee should focus particularly on: any changes in the accounting policies and practices; major judgmental areas; significant adjustments resulting from audit; the going concern assumptions and any qualifications; compliance with accounting standards; and compliance with the Listing Rules of the Stock Exchange and other legal requirements in relation to financial reporting.

In regard to the aforesaid duties, members of the Committee should liaise with other directors and senior management, and the Committee must meet, at least twice a year, with the Company's external auditor; and the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and should give due consideration to any matters that have been raised by the Company's auditor;

- (7) to review the Company's financial controls, internal control and risk management systems;
- (8) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system;
- (9) to consider major investigation findings on internal control matters and the management's response as delegated by the Board or on its own initiative;
- (10) to ensure coordination 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 the effectiveness of the internal audit function;
- (11) to review the Company's financial and accounting policies and practices;
- (12) to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response;

- (13) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (14) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (15) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (16) to report to the Board on above matters;
- (17) other duties as requested by the Board.

Article 13 Duties of the chairman of the Committee include:

- (1) to convene and chair the meetings of the Committee;
- (2) to supervise and examine the operations of the Committee;
- (3) to sign relevant documents of the Committee;
- (4) to report to the Board on the operations of the Committee;
- (5) other duties as requested by the Board.

Article 14 When necessary, the aforesaid duties/terms of reference shall be updated and revised in accordance with the changes in regulatory environment and statutory requirements (such as the Listing Rules of the Stock Exchange). Such duties/terms of reference shall be make available in both Chinese and English on the websites of the Stock Exchange of Hong Kong Limited and the Company.

#### **Chapter 4 Meetings of the Committee**

Article 15 Meetings of the Committee shall be held at least twice a year. The external auditor or any member of the Committee may request to convene a meeting, if thought necessary. Upon reception of the request, the secretary to the Committee shall as soon as possible convene the meeting at the convenience of all members to the reasonable extent as far as practical.

- Article 16      The secretary to the Committee is responsible for the serving of the notice of meeting in writing as signed and issued by the chairman of the Committee, not later than 3 days before the meeting (except in extraordinary circumstances), to all members and the non-voting participants that are invited, if any. The notice of meeting shall include the convening methods, time, venue, session and agenda of the meeting, despatching time of the notice and other relevant information.
- Article 17      Upon reception of the notice of meeting, members of the Committee shall give confirmation and provide relevant information (including but not limited to the availability of presence, schedule, etc.) in a timely and appropriate manner.
- Article 18      Members of the Committee should attend the meetings in person. Where a member is unable to attend the meeting in person, he/she may appoint another member of the Committee by the power of attorney as duly signed to attend and express opinions at the meeting on his/her behalf. The power of attorney shall set out definite scope and term of authorization. A member may not concurrently act as a proxy of two or more members.
- The member attending the meeting as a proxy shall only exercise the rights within the power of attorney. A member failing to attend a meeting of the Committee either in person or by proxy nor submitting any opinions in writing prior to the meeting shall be deemed to have waived the right.
- A member unable to attend a meeting in person may excise his/her right through submitting opinions in writing on the matters to be considered, in any event not later than the commencement of the meeting, to the secretary to the Committee.
- Article 19      A member failing to attend a meeting of the Committee either in person or by proxy nor submitting any opinions in writing prior to the meeting for two consecutive times shall be deemed having failed in performing the duties in the Committee, and is subject to replacement by the Board in accordance with the rules herein.
- Article 20      The quorum of the meetings of the Committee shall be two or more of its members, all being independent non-executive directors. The meetings of the Committee shall be chaired by its chief who, if unable to attend the meeting, may appoint another member of the Committee to chair the meeting.

- Article 21 In considering the matters on the agenda of a meeting, members of the Committee shall express opinions based on their own judgements and on a specific, independent and adequate basis. Any divergence of opinions shall be recorded in the meeting minutes to be submitted to the Board.
- Article 22 Meetings of the Committee shall be generally held in the form of on-site meeting. In extraordinary circumstances, a meeting may be held by correspondence upon consent by the chairman of the Committee, provided that it is ensured that the members can express opinions on an adequate basis. For a meeting to be held by correspondence, members of the Committee shall submit to the Board their opinions in writing on the matters to be considered within the period specified in the notice of meeting.
- Article 23 The Chairman of the Board and the Chief Financial Officer of the Company may attend the meetings of the Committee as non-voting participants, together with, if necessary, representative(s) of the external auditor, and other persons with specific duties on the scope of review.
- Other directors, relevant senior management and experts of the Company or external experts, scholars, intermediary agencies and relevant personnel may be invited by the Committee to attend its meeting as non-voting participants when necessary. The non-voting participants shall make explanation and clarification as requested by members of the Committee.
- Article 24 A member of the Committee who is interested in the matters to be considered by the Committee shall abstain from voting on such matters.
- Article 25 All members present at the meeting and the non-voting participants are obligated to keep confidential the matters considered at the meeting, and shall not disclose the relevant information without authorization.

## **Chapter 5 Work Units of the Committee**

- Article 26 The secretary to the Board is responsible for organizing and coordinating the operations between the Committee and relevant departments.
- The secretary to the Board shall attend the meetings of the Committee as a non-voting participant.
- Article 27 The Board Office shall cooperate with finance, audit, legal affairs and relevant departments of the Company to facilitate the operations of the Committee.



Article 28      The audit, finance and legal departments of the Company shall cooperate to prepare and provide the relevant information required for matters to be considered at the meetings, and shall cooperate in communicating with relevant parties (including the experts of the Company or external experts, scholars and intermediary agencies engaged by the Committee in considering the matters).

## **Chapter 6   Meeting Minutes and Records of the Committee**

Article 29      Resolutions on the matters considered by the Committee shall be passed by affirmative votes of two-thirds or more of its members.

Article 30      Meeting minutes shall come into effect upon signing by all members present at the meetings of the Committee. Such minutes may consist of multiple identical counterparts, each signed by one or more members.

The meeting minutes can be signed and circulated by facsimile or other telecommunication means. However, this article shall not be in contravention of relevant requirements on any meetings of the Board or the Committee under the Listing Rules of the Stock Exchange.

Article 31      Records shall be made by the secretary to the Committee for its meetings, include the following:

- (1)      numbering, convening method, date and place of the meeting and the name of the person to chair the meeting;
- (2)      attendance in person, absence and attendance through proxy;
- (3)      names and titles of the non-voting participants;
- (4)      agenda of the meeting;
- (5)      key points of speech by members and relevant non-voting participants; and
- (6)      name of the recorder for the meeting.

Members present at the meeting and the Chief Financial Officer, representative of external auditor and the secretary to the Board as non-voting participants shall sign on the meeting records of the Committee. The meeting records shall be sent to all members of the Committee for their comment within a reasonable time after the meetings are held.



- Article 32      The draft and final versions of the meeting records of the Committee shall be delivered within 7 days after the meeting to all members of the Committee, for their comment and record, respectively.
- Article 33      The Committee shall report to the Board in respect of its meetings. The secretary to the Committee shall provide a copy of the meeting records of the Committee at the next Board meeting following the meeting of the Committee, stating its decisions and recommendations to the Board.
- Article 34      In addition to be reported to the Board, the meeting minutes shall be despatched to members of the Committee, the secretary to the Board and the Board Office, audit, finance, legal and relevant departments of the Company and personnel.
- Article 35      Meeting records, meeting minutes, power of attorney, written opinions of the members and other materials for meetings of the Committee shall be maintained by the secretary to the Committee in accordance with the archive management system of the Company.

## **Chapter 7    Supplementary Provisions**

- Article 36      Unless otherwise specified, terms used herein shall have the same meaning ascribed thereto under the Articles of Association.
- Article 37      The rules herein and the amendments hereto shall come into effect from the date of approval by the Board.
- Article 38      For any matters not covered herein or in case of any discrepancy between the rules herein and any applicable laws, regulations, the Listing Rules of the Stock Exchange, the Articles of Associations or the Rules of Procedures of the Board as promulgated or revised after these rules come into effect, the latter shall govern and prevail.
- Article 39      The rules herein shall be interpreted by the Board.