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EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED

鷹美（國際）控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02368)

TERMS OF REFERENCE OF AUDIT COMMITTEE

(Revised and adopted by the Company pursuant to the Board resolution passed on 24 March 2016)

CONSTITUTION

1. The Board has resolved to establish a committee of the Board to be known as the Audit Committee.

MEMBERSHIP

2. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum for meetings of the Audit Committee shall be two members.
3. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one 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 later.
4. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

ATTENDANCE AT MEETINGS

5. The chairman of the Audit Committee may request the Management and representatives of the external auditor present at the Audit Committee meetings. Other Director(s) shall have the right of attendance. In particular, the Audit Committee shall meet with the external auditor of the Company at least twice a year.
6. The Company Secretary shall act as the secretary of the Audit Committee and shall be responsible for taking minutes at each Audit Committee meeting.

* *For identification purposes only*

PROCEEDINGS OF MEETINGS

7. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that it is necessary.
8. Unless otherwise agreed, notice of each Audit Committee meeting, specifying the place, the day and the hour of the meeting shall be given to each Audit Committee member and any other persons who are required to attend such meeting, no later than seven days before the intended date of a meeting of the Audit Committee.
9. An agenda and accompanying board papers should be sent in full to all members of Audit Committee in a timely manner and at least three days before the intended date of a meeting of the Audit Committee (or such other period as agreed by its members).
10. The Management is obliged to supply the Audit Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable.
11. Written resolutions may be passed by all members of the Audit Committee in writing.
12. Save as the aforesaid, meetings of the Audit Committee shall be conducted in accordance with the provisions contained in the articles of association of the Company governing the proceedings of the Directors.

ANNUAL GENERAL MEETINGS

13. The chairman of the Audit Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the Company's annual general meetings and be prepared to respond to any Shareholder's questions on the Audit Committee's activities.

AUTHORITY

14. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
15. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be provided with sufficient resources to discharge its duties.

DUTIES

16. The duties of the Audit Committee shall include:

i) Relationship with the Group's auditors

- (a) to be primarily 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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- (d) to develop and implement policy on the engagement of an external auditor to supply non-audit services and 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.

ii) Review of financial information of the Group

- (a) to monitor integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing the Group's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee shall focus particularly on:-

- i. any changes in accounting policies and practices;
- ii. major judgmental areas;
- iii. significant adjustments resulting from audit;
- iv. the going concern assumptions and any qualifications;
- v. compliance with accounting standards; and
- vi. compliance with the Listing Rules and other legal requirements in relation to financial reporting;

- (b) in respect of (a) above, the Audit Committee should:-

- i. liaise with the Board and the Management;
- ii. meet, at least twice a year, with the Group's auditors; and
- iii. consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and give due consideration to any matters that have been raised by the Group's staff responsible for accounting and financial report function, compliance officer or auditors.

iii) Oversight of the Group's financial reporting system, risk management and internal control systems

- (a) to review the Group's financial controls, risk management and internal control systems;
- (b) to discuss the risk management and internal control systems with the Management to ensure that the Management has performed its duty to have effective systems. The discussion would include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;
- (c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the Management's response to these findings;
- (d) 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 Group, and to review and monitor its effectiveness;
- (e) to review the Group's financial and accounting policies and practices;
- (f) 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 the Management's response;

- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters set out in the code provisions contained in the Corporate Governance Code set out in (and as amended from time to time) Appendix 14 to the Listing Rules;
- (i) to review arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and
- (j) to consider any other topics, as defined by the Board.

iv) Oversight of the Group's corporate governance matters

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Group's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report; and
- (f) to consider other topics, as defined by the Board.

v) Others

- (a) to act as the key representative body for overseeing the Group's relationship with the external auditor; and
- (b) to review the terms of reference and to report to the Board on the Audit Committee's area of responsibility and to recommend to the Board any appropriate extensions or changes in the duties of Audit Committee.

REPORTING PROCEDURES

17. Full minutes of the Audit Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director. Minutes of meetings of the Audit Committee shall be recorded in sufficient detail for the matters considered by the Audit Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all Audit Committee members for their comment and records, in both cases within a reasonable time after such meetings.

18. In the event that there is disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall provide a statement explaining its recommendations to the Company for the inclusion in the Corporate Governance Report in accordance with the Listing Rules.
19. Without prejudice to the generality of the duties of the Audit Committee set out in these terms of reference, the Audit Committee shall report to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

TERMS AVAILABLE

20. The Audit Committee shall make available these terms of reference on request, explaining its role and the authority delegated to it by the Board, by inclusion on the Exchange's and the Company's websites.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Audit Committee "	the audit committee established by resolution of the Board
"Board"	the board of Directors
"Company"	Eagle Nice (International) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Exchange
"Company Secretary"	the company secretary of the Company
"Director(s)"	director(s) of the Company
"Exchange"	The Stock Exchange of Hong Kong Limited
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Exchange
"Management"	heads of divisions, departments or other operating units within the Group, and/or directors of subsidiaries
"Shareholder(s)"	holder(s) of the ordinary share(s) of HK\$0.01 each in the capital of the Company

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