

CEC-COILS®
CEC INTERNATIONAL HOLDINGS LIMITED
CEC 國際控股有限公司*
(於百慕達註冊成立之有限公司)

Audit Committee
Terms of Reference

1. Membership

- 1.1 The Audit Committee (the "Committee") shall be appointed by the board of directors (the "Board") of CEC International Holdings Limited (the "Company") and shall consist of not less than three members. A quorum shall be two members.
- 1.2 Membership of the Committee shall be confined to non-executive directors of the Company, the majority of which must be independent non-executive directors (the "INEDs") and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The Chairman of the Committee shall be appointed by the Board and must be an INED.

2. Attendance at meetings

- 2.1 The Company's staff responsible for the accounting and financial reporting function, a representative of the internal auditor and a representative of external auditor shall normally attend the meetings. Other Board members shall also have the right of attendance.

The Chairman of the Committee shall preside as chairman at every meetings of the Committee. If at any meetings of the Committee, the Chairman of the Committee is not present within twenty (20) minutes after the time appointed for holding such meeting, the members of the Committee present may elect one of their member to be chairman of the meeting.

Members of the Committee may participate in any meeting of the Committee by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

- 2.2 The company secretary shall be the secretary of the Committee.

3. Frequency of meetings

Meetings shall be held not less than twice in a financial year. The external auditor may request a meeting if they consider that one is necessary.

4. Authority

- 4.1 The 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 of the Company and its subsidiaries (collectively referred to the "Group") and all employees of the Group are directed to co-operate with any request made by the Committee.
- 4.2 The Committee is authorised by the Board to, at the costs and expenses of the Company, 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, provided the costs and expenses to be incurred shall be subject to the prior approval of the Board (such approval not to be unreasonably withheld or delayed).
- 4.3 The Committee is to be provided with sufficient resources to perform its duties.

5. Duties

The duties of the Committee shall be:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes 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 to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to monitor integrity of the Company's financial statements and 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 reviewing these reports before submission to the Board, the Committee shall focus particularly on:-
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental 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 legal requirements in relation to financial reporting.
- (e) regarding (d) above:-
- (i) members of the Committee should liaise with the Board and senior management of the Company and the Committee must meet, at least twice, a year, with the Company's auditors ; and
 - (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the financial reporting system, risk management and internal control systems

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function ;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors or where more than one audit firm is involved, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (m) 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 fair and independent investigation of these matters and for appropriate follow-up action;
- (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) to report to the Board on the matters set out in the relevant code provision on audit committee as set out in the Code on Corporate Governance Practice of the Listing Rules;
- (p) to meet the external auditor, at least twice annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise; and
- (q) to consider other topics, as defined by the Board.

6. Written resolutions

A resolution in writing signed by all members of the Committee shall be as valid and effectual as if a resolution had been passed at a meeting of the Committee duly convened and held provided that a copy of such resolution has been given or the contents thereof communicated to all members of the Committee for the time being entitled to receive notices of the meetings of the Committee in the same manner as notices of meetings of the Committee are required to be given and further provided that no member of the Committee is aware of or has received any objection to the resolution from any other member of the Committee. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the members of the Committee and for this purpose a facsimile signature of a member of the Committee shall be treated as valid.

7. Reporting procedures

The secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

8. Revision and review

These terms of reference shall be reviewed in accordance with the Listing Rules. Any amendment shall be recommended to the Board for Approval.

**For identification purpose only*