

**CENTURY LOGISTICS HOLDINGS BERHAD**

(Company No. 424341-A)

(Incorporated in Malaysia)

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**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

***(Revised and adopted on 3 May 2016)***

**1. Composition of members**

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) Directors, all of whom shall be Non-Executive Directors. The majority of the Audit Committee members shall be Independent Directors.

*In this respect, the Board adopts the definition of "independent director" as defined under the Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements.*

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

- (a) a member of the Malaysian Institute of Accountants ("**MIA**"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
  - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

**Retirement and resignation**

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

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**2. Chairman**

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

A vacancy resulting in the non-compliance with the requirement on the election of an independent Chairman of the Audit Committee must be filled within three (3) months.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.

**3. Secretary**

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

**4. Meetings**

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or Shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with the Chairman of the Board, senior management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer and a representative of the internal and external auditors respectively should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

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Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

**5. Minutes**

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on the proceedings of each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

**6. Quorum**

The quorum for the Audit Committee Meeting shall be the majority of members present whom must be Independent Directors.

**7. Circular Resolutions**

A resolution in writing signed by a majority of the Audit Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Audit Committee members. Any such document may be accepted as sufficiently signed by an Audit Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an Audit Committee member.

**8. Reporting**

The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

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**9. Objectives**

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

**10. Authority**

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity (if any); and
- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

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**11. Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are as follows:-

- (a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (b) To establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;
- (c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (d) To review with the external auditors the evaluation of the system of internal controls and the audit report;
- (e) To review the quarterly and year-end financial statements of the Company before submission to the Board, focusing particularly on –
  - any change in or implementation of major accounting policies and practices;
  - significant adjustments arising from the audit;
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
  - the going concern assumption; and
  - compliance with applicable financial reporting standards and other legal requirements.
- (f) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary);
- (g) To review the external auditors' management letter and management's response;
- (h) To do the following, in relation to the internal audit function:-

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- consider and approve the appointment of the internal auditors, the audit fee and any question of resignation or dismissal
  - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function
  - review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings
  - review any appraisal or assessment of the performance of members of the internal audit function
- (i) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (j) To report its findings on the financial and management performance, and other material matters to the Board;
- (k) To consider the major findings of internal investigations and management's response;
- (l) To verify the allocation of Employees' Share Option Scheme ("**ESOS**") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (m) To monitor the integrity of the Company's financial statements;
- (n) To monitor the independence and qualification of the Company's external auditors;
- (o) To monitor the performance of the Company's internal audit function;
- (p) To monitor the Company's compliance with relevant laws, regulations and code of conduct;

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- (q) To review the adequacy and effectiveness of risk management, internal control and governance systems;
- (r) To consider and examine such other matters as the Audit Committee considers appropriate; and
- (s) To consider other matters as defined by the Board.