

AHMAD ZAKI RESOURCES BERHAD

(Company No. 432768-X)

TERMS OF REFERENCE OF AUDIT AND RISK COMMITTEE

MEMBERSHIP

1. The Audit and Risk Committee shall be appointed by the Board of Directors amongst its members and consist of a least three (3) members, all of whom must be a Non-Executive Director, with a majority of them being Independent Directors.
2. At least one (1) member of the Audit and Risk Committee must be:-
 - (a) A member of the Malaysian Institute of Accountants ("MIA"); or
 - (b) If he is not a member of the MIA, he must have at least three (3) years' 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 (1) of the associations of 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 Malaysia Securities Berhad ("Bursa Malaysia").
3. In the event of any vacancy in the Audit and Risk Committee resulting in the non-compliance with Paragraph 15.09(1) of the Listing Requirements of Bursa Malaysia, the Board shall appoint a new member within three (3) months.
4. No alternate Director shall be appointed as a member of the Audit and Risk Committee.

CHAIRMAN

The Chairman of the Audit and Risk Committee shall be an Independent Director and appointed by the Board of Directors.

MEETINGS

1. Meetings shall be held at least four (4) times a year.
2. The Audit and Risk Committee may require the attendance of any Management staff from the Finance/Accounts Department or other departments deemed necessary.
3. The Audit and Risk Committee shall meet with the external auditors at least once a year without Executive Board members present. Upon the request of the external auditors, the Chairman of the Audit and Risk Committee shall convene a meeting of the Committee to consider any matter the external believe should be brought to the attention of the Directors or shareholders.

QUORUM

The quorum shall be at least two (2) persons, both of whom are to be Independent Directors.

SECRETARY

The Company Secretary shall act as secretary of the Audit and Risk Committee.

REPORTING PROCEDURE

The Audit and Risk Committee regulates its own procedures:-

1. the notice to be given of such meetings;
2. the voting and proceedings of such meetings;
3. the keeping of minutes; and
4. the custody, protection and inspection of such minutes.

Minutes of the meetings are tabled for confirmation at the following Audit and Risk Committee meeting. The Chairman presents the recommendations of the Audit and Risk Committee to the Board for approval of the annual and quarterly financial statements. The Chairman also conveys to the Board matters of significant concern as and when raised by the external or internal auditors.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit and Risk Committee shall include the following:-

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. To discuss with the external auditors before the audit commences, the nature and scope of the audit;
3. To discuss with the external auditors on the evolution of the system of internal controls and the assistance given by the employees to the external auditors;
4. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditors is not suitable for reappointment;
5. To review the quarterly and year-end financial statements of the Board, focusing particularly on:-
 - (a) any changes in the major accounting policies and practices;
 - (b) significant adjustments arising from the audit;
 - (c) the going concern assumption; and
 - (d) compliance with accounting standards and other legal requirements.
6. 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 the Management where necessary);
7. To review the external auditor's management letter and the Management's response;

8. To do the following where there is an internal audit function:-
 - (a) 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;
 - (b) review the internal audit program, process, the results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - (c) review any appraisal or assessment of the performance of members of the internal audit function;
 - (d) approve any appointment or termination of senior staff members of the internal audit function; and
 - (e) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
9. To consider any related party transactions that may arise within the Company or the Group;
10. To consider the major findings of internal investigations and the Management's response;
11. To ensure of an effective functioning of an integrated risk management function within the organization;
12. To oversee and monitor the overall risks impacting the Group as well as to review and approve risk management policies and risk tolerance limits; and
13. To consider other topics as defined by the Board.

AUTHORITY

In carrying out their duties and responsibilities, the Audit and Risk Committee shall:-

1. have authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company;
4. have direct communication channels with the external and internal auditors;
5. be able to obtain independent professional or other advice; and
6. be able to convene meetings with the external and internal auditors, excluding the attendance of the executive members of the Audit and Risk Committee, whenever deemed necessary.

REVIEW

The Nomination Committee ensures that the term of office and performance of the Audit and Risk Committee and each of its members are being reviewed annually to determine whether the Audit and Risk Committee and members have carried out their duties in accordance with their terms of reference.