

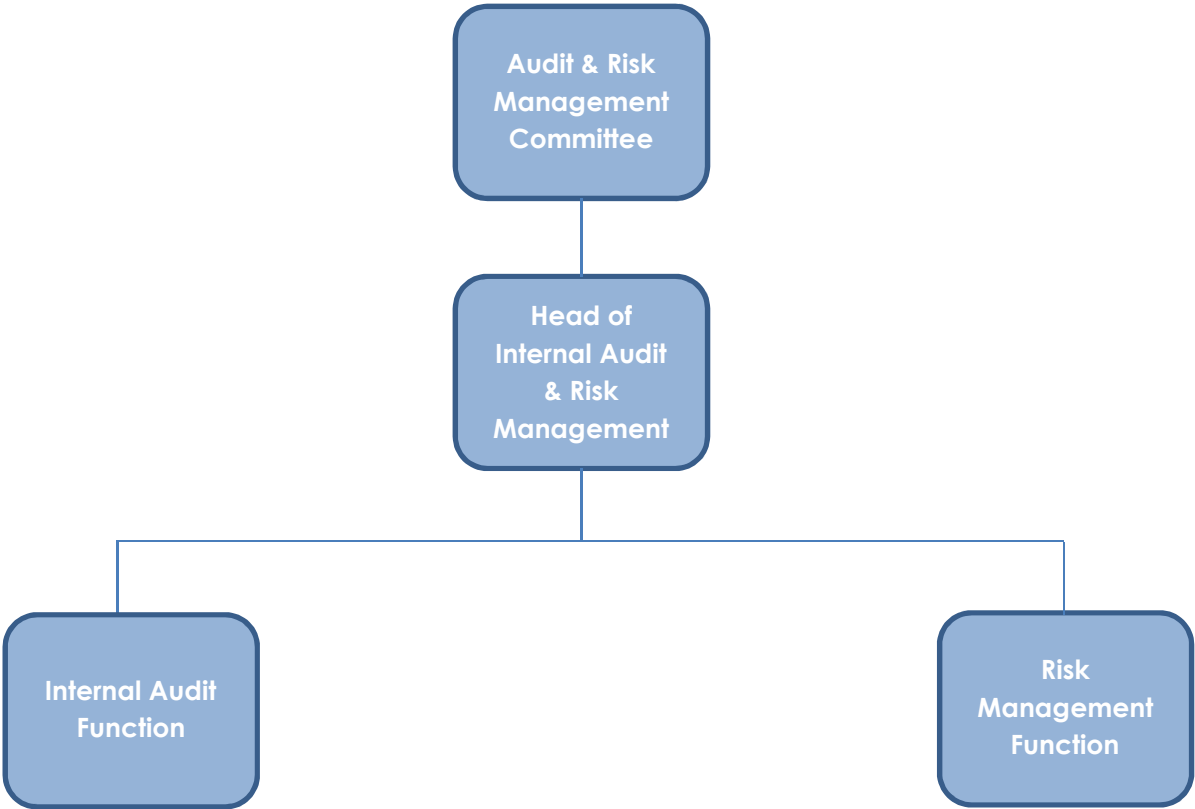


SERBA DINAMIK GROUP BERHAD

INTERNAL AUDIT CHARTER

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1. ILLUSTRATION



2. INTRODUCTION & PURPOSE OF INTERNAL AUDIT CHARTER

The purpose of this charter is to establish the position of the Internal Audit function within the structure of Serba Dinamik Group Berhad ("SDGB") and its subsidiaries (collectively the "Group") in order to authorize the Internal Audit Department ("IAD") in accessing all records, personnel and physical properties relevant to the performance of audit exercise. This charter describes the mission, vision, independence and objectivity, scope and responsibilities, authority, accountability, standards and the structure of the department.

The IAD is an independent function which provides objective assurance and consulting activity, guided by a philosophy of adding value to improve the operations of the Group.

It assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's risk management processes, control assurances and corporate governance practices.

The IAD is established by the Board, and its responsibilities are defined by the Audit & Risk Management Committee ("ARMC") as part of their oversight function.

This Charter is prepared in accordance to compliance with the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors.

3. INTERPRETATION

In this Charter:

“ARMC” means the Audit & Risk Management Committee of the Group;

“Board” means the Board of Directors of the Group;

“Business” means the business of the Group;

“Chairman” means the Chairman of the Board and is used in gender-neutral sense;

“GCEO” means Chief Executive Officer;

“Head of IAD” means Head of Internal Audit Department;

“IIA” means The Institute of Internal Auditors;

“IIA Code of Ethics” means The Institute of Internal Auditors Code of Ethics;

“IAD” means Internal Audit Department;

“Management” means the management personnel of the Group;

4. OBJECTIVES

The objectives of the IAD are as follows:

- To provide objective assurance function to the management and the Board on the effectiveness of enterprise risk management activities to help ensure key business risks are being managed appropriately, and that the system of internal control is operating effectively.
- To provide independent and objective assessment on the appropriateness of the Group's governance structure and operating effectiveness of specific governance activities.

5. MISSION

The mission of Internal Audit is to be an independent, objective assurance function and by advising on best practice to add value and improve the operations of the Group to accomplish its objectives, and evaluate and improve the effectiveness of risk management, control and governance process.

The vision of Internal Audit is to be a valued, effective and continually improving department for the benefit of the Group.

6. PROFESSIONAL STANDARDS

The IAD staff shall govern themselves by adherence to the IIA Code of Ethics and shall meet or exceed the IIA's International Standards for the Professional Practice of Internal Auditing as approved by the Institute of Internal Auditors.

In addition, the IAD shall also adhere to the Group's standard operating procedures and policies.

Please Refer **Appendix A** for IIA Code of Ethics.

7. AUTHORITY & ORGANIZATION

The IAD is accountable and responsible to the Group's ARMC whereby the Head of IAD shall have unrestricted access to the Chairman of the ARMC. This reporting structure reinforces the independence and objectivity of the IAD.

The Internal Auditors are authorized to have unrestricted access to all the Group's departments, records (irrespective of the medium), functions, property and personnel which are relevant for a review and all the Group's employees are requested to assist the IAD.

Documents and information given to the Internal Auditors during a review shall be kept and handled in the same prudent manners as the relevant staff who would normally account for them.

8. RESPONSIBILITIES & INDEPENDENCE

The IAD is responsible for planning, conducting, reporting and following up on audit projects included in the audit plan, and decides on the scope and timing of audits. All IAD activities shall remain free of influence by any element in the Group including matters of audit selection, scope, procedures, frequency, timing or report content.

Internal Auditors shall not have direct operational responsibility or authority over corporate activities of the Group. The formulation and implementation of a sound system of risk management processes, internal control assurances and corporate governance practices shall solely be the responsibility of the management.

The Internal Auditors shall be independent in carrying out all audit activities and shall assert no direct responsibility or authority over the activities reviewed.

The Internal Auditors do not relieve any of the Group's staff of any responsibilities assigned to them, as such do not develop or introduce procedures, prepare records, and engage in activities which could otherwise be construed as compromising the objectivity and independence of the IAD. Any recommendations on standards of control to be applied on a specific activity may be included in the written report of the audit findings and opinions, which is given to the management of the Group for review and implementation.

The management of the Group is responsible for establishing and maintaining controls to discourage any perpetration of fraud. The Internal Auditors are responsible for examining and evaluating the adequacy and effectiveness of action taken by the management in fulfilling this obligation. The Internal Auditors should have sufficient knowledge of fraud to be able to identify indicators that fraud might have been perpetrated. The Internal

Auditors however are not expected to have the knowledge equivalent to that of a person whose primary responsibility is to detect and investigate fraud. In certain circumstances, there is no guarantee that fraud will be detected by applying audit procedures even with due professional care. Nevertheless, it has been recognized that the performance of audits and reviews may include the assistance of an expert from other specific professions or disciplines.

All IAD activities are to be carried out in compliance with the Group's objectives and policies, the Code of Ethics and the Standards for the Professional Practice of Internal Auditing as approved by the Institute of Internal Auditors.

9. AUDIT SCOPE & DUTIES

The general scope and responsibilities of the IAD include but are not limited to, conducting reviews, examination and evaluation of the adequacy and effectiveness of the Group's risk management processes, internal control assurance and corporate governance practices in carrying out assigned responsibilities to achieve the Group's stated mission and vision.

The responsibilities further include the following:

- To develop and prepare an annual audit plan of work using appropriate risk-based methodology and approach and submit to ARMC for review and approval.
- To review the reliability and integrity of any financial information via financial reporting statements and accounts and the means used to identify, measure, classify and report such information.
- To review the adequacy of the Group's risk management framework in identifying and evaluating the adequacy and effectiveness of risk management processes.
- To review the systems performance which have been established to ensure compliance with policies, procedures, laws and regulations which could have a significant impact on operations and adequacy and effectiveness of governance practices.
- To review the system of internal controls of the Group to ensure its adequacy and integrity in managing principal risks and controls.
- To carry out risk based audits of strategic business units of the Group which covers review of internal control assurance, accounting, management information system, risk management processes and corporate governance practices including ad-hoc assignment initiated or instructed by the ARMC, the Board or the management.

- To obtain management's comments and action plans on audit findings and evaluate the relevant and effectiveness of the comments and action plans.
- To ensure that management's action plans shall include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.
- To distribute audit reports upon completion of audits to members of the ARMC, the GCEO and auditees. To follow-up with management to ensure adequate, appropriate and effective corrective actions are taken on timely basis.
- To review the safeguarding of assets and verify the existence of assets.
- To review any operation or program in ascertaining whether the operations are carried out as planned and the results are in line with the established objectives and goals.
- To maintain a comprehensive IAD manual setting out minimum internal auditing standard, work programs, audit procedures and update practices to guide the work of the Internal Auditors.
- To ensure all significant findings shall remain as open until cleared by the Head of IAD or the ARMC.
- To be consulted on internal controls for new and major system changes prior to implementation to ensure adequate internal controls and documentations are in place.
- To evaluate potential exposure or risk in various segments of the Group's operations.
- To attend all the ARMC meetings to table and discuss the audit reports and follow up on matters raised.

The Internal Auditor, in discharge of his/her duties, shall be accountable to the ARMC to:

- Assess the adequacy and effectiveness of the Group's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the Group and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, and ethics, environmental and external audit).

10. AUDIT PLANNING

- Annually, the Head of IAD shall submit to the ARMC a summary of the audit work schedule, staffing plan and budget for the fiscal year.
- The audit work schedule is to be developed based on a prioritization of the audit universe using a risk-based methodology and approach.
- Any significant deviation from the formally approved work schedule shall be communicated to the ARMC through periodic activity reports for approval.

11. PERIODIC ASSESSMENT

The Head of the IAD should periodically assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives.

The result of this periodic assessment shall be communicated to the ARMC and the Board.

12. REPORTING & MONITORING

A written report will be prepared and issued by the Head of IA or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Head of IAD will periodically report to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.

Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

13. CHARTER REVIEW

- Review the charter at least annually and update it as needed to respond to new risk-oversight needs and any changes in regulatory or other requirements;
- Review and approve the management-level risk committee charter, if applicable;
- Perform any other activities consistent with this charter, the Group's bylaws, and governing laws that the board or risk committee determines are necessary or appropriate;
- Submit the charter to the full board for approval.

APPENDIX A

CODE OF ETHICS

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

RULES OF CONDUCT

1. Integrity

Internal auditors:

1.1. Shall perform their work with honesty, diligence, and responsibility.

1.2. Shall observe the law and make disclosures expected by the law and the profession.

1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.

1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.