

Statement on internal control

The Board is responsible for the CCM Duopharma Biotech Berhad and its subsidiary's ["the Group"] system of internal control and for reviewing its adequacy and integrity. The system of internal control includes financial, operational and compliance controls and risk management.

The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that as an integral part of the system of internal control, there is an on-going risk management process for identifying, evaluating and managing the significant risks faced by the Group. The Management operates with this process during the year under review and the process is subjected to regular review by the Board. The Group has a Risk Management Committee which is chaired by the Group Managing Director and comprises Senior Management of the Group, to provide oversight and added impetus to the risk management process.

Management from each business or operations area apply a risk/control self-assessment approach to identify the risks relating to their area; the likelihood of these risks occurring; the consequences if they do occur; and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The overall process is facilitated by the Risk Management facilitation team who is dedicated to the role.

The Risk Management facilitation team maintains regular communication and consultation with management and also facilitates risk analysis of business or operational initiatives/issues emerging in the Group; conducts periodic follow-up of the updating of risk profiles and the implementation of risk treatment measures by management; facilitates analysis of "just-in-case" risk scenarios; and conducts risk management training workshops during the year ended 31 December 2007.

The key risks which are identified through the risk management process are reported to the Risk Management Committee and also Audit Committee of the Board. This enables the Audit Committee to focus on the key risks inherent in the Group's business and operations and the system of internal control necessary to manage such risks.

The Group Internal Audit independently reviews the adequacy and integrity of the system of internal control in managing the key risks and report accordingly to the Audit Committee on a quarterly basis. Where significant weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by Internal Audit to assess the status of implementation thereof by management. In carrying out its work, the Internal Audit focuses on areas of priority as determined by risk analysis which are incorporated in the annual audit plan approved each year by the Audit Committee.

There were no material weaknesses in the system of internal control that would require separate disclosure in this Annual Report.