

# Statement on Internal Control

The Board is responsible for 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 ongoing Enterprisewide Risk Management process for identifying, evaluating and managing the significant risks faced by the Group. The Management has operated 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 ("the Committee"), chaired by the Chief Executive Officer and comprises Senior Management staff of the Group. The Committee together with the Risk Management Council of CCM Group, will evaluate and recommend all risk related issues before it is being elevated to the Audit and Risk Management Committee of the Board.

Recognising the increased importance of the risk management function, this unit was decoupled from the Group Internal Audit Department in June 2009. The two functions are now independently led by two separate heads. The main objective is to ensure better control and clarity of focus on the key risk issues that affect the Group's activities and the implementation of appropriate mitigation measures to address them. Periodic review meetings are carried out to establish progress and to verify the effectiveness of the actions taken. This will ensure a systematic, structured and disciplined approach to risk management is in place, consistent with the expectations of the Audit and Risk Management Committee.

Management from each business or operations area apply a risk/control self-assessment approach to identify the risks relating to their areas of supervision and control. These include, 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 an acceptable level. The risk treatment measures determined from this process are documented in risk registers with each business or operation

area having its respective risk register. The overall process is facilitated by the Risk Management Department of its holding company ("GRMD") which is dedicated to the role.

The GRMD maintains regular communication and consultation with management and also facilitates risk analysis of strategic business objectives, operational initiatives and emerging issues in the Group. It also conducts periodic follow-up of the updating of reported risk profile and the implementation of risk treatment measures by management.

The key risks which are identified through the risk management process are reported to the Risk Management Committee and also Audit and Risk Management Committee of the Board. This risk profile enables the Audit and Risk Management Committee to focus on the key risks affecting 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 key risks and reports accordingly to the Audit and Risk Management Committee on a quarterly basis. In addition, Group Internal Audit also reviews the other risk areas in accordance with the annual audit plan. Where weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls; and follow-up audits are conducted by Group Internal Audit to assess the status of implementation thereof by management. In carrying out its work, the Group Internal Audit focuses on areas which are incorporated in the annual audit plan approved each year by the Audit and Risk Management Committee.

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