

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.

In accordance with the Statement on Internal Control - *Guidance for Directors of Public Limited Companies*, 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 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 results of this process is subjected to regular review by the Board, through its Audit and Risk Management Committee. 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 Chemical Company of Malaysia Berhad Group, will address 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 of department. 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. Review meetings are carried out quarterly 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 profiles and risk treatment measures determined from this process are documented in risk register. The overall process is facilitated by the Department which is dedicated to the role.

The Department 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 risk profiles and the implementation of risk treatment measures by management. Training workshops are also conducted to keep abreast of developments in the area of risk 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 enables the Audit and Risk Management 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 Auditor independently reviews the adequacy and integrity of the system of internal control in managing the key risks and reports accordingly to the Board Audit and Risk Management 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 the Group Internal Auditor to assess the status of implementation thereof by management. In carrying out its work, the Group Internal Auditor focuses on areas which are incorporated in the annual auditor 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.