

## 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 Enterprise 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, chaired by the Chief Executive Officer and comprises Senior Management staff of the Group. The Risk Management Committee together with the Executive Risk Management Committee of CCM Group will evaluate and recommend on all risk related issues before it is being elevated to the Board Audit and Risk Management Committee.

Management from each business or operations area applies 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 operations area having its respective risk register. The overall process is facilitated by the Group Risk Management of its holding company which is dedicated to the role.

The Group Risk Management 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.

The key risks which are identified through the risk management process are reported to the CCM Group Executive Risk Management Committee as well as Board Audit and Risk Management Committee. This risk profile enables the Board 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 of its holding company independently reviews the adequacy and integrity of the system of internal control in managing the key risks and report accordingly to the Board Audit and Risk Management Committee on a quarterly basis. In addition, the Group Internal Audit of its holding company 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 the Group Internal Audit of its holding company to assess the status of implementation thereof by management. In carrying out its work, the Group Internal Audit of its holding company focuses on areas which are incorporated in the annual audit plan approved each year by the Board 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.