

Statement on Risk Management and Internal Control

INTRODUCTION

This Statement on Risk Management and Internal Control (this "Statement") is made in accordance with Paragraph 15.26(b) of the Bursa Securities Listing Requirements and the guidelines contained in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. It is also made in accordance with the Hong Kong Code contained in Appendix 14 of the HK Listing Rules. The Board remains committed to maintaining a sound risk management and internal control system to manage risks and safeguard shareholders' investments and the Group's assets.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in establishing a sound risk management framework and internal control system for the Group as well as reviewing its adequacy and effectiveness. The Board is of the view that the risk management framework and internal control systems are designed to manage and mitigate the Group's risks within the acceptable risk parameters, rather than to eliminate all risks of failure to achieve business objectives.

The system can only provide reasonable but not absolute assurance against material misstatements, losses, frauds, breaches of laws and regulations, and unforeseen emerging risks because of its inherent limitations.

RISK MANAGEMENT FRAMEWORK

The Group has established an appropriate control structure and systematic process for identifying, evaluating, monitoring and managing significant risks pertinent to the achievement of its overall corporate objectives throughout the year. This process is regularly reviewed by the Board.

The Audit Committee assists the Board in (i) reviewing the adequacy and effectiveness of the Group's risk management and internal control system; (ii) reviewing management's identification of the significant risks in accordance with the Group's risk management policy; and (iii) reporting to the Board of any significant failures or potential breaches of the Group's risk management policy.

The Group Executive Committee ensures on behalf of the Board that business risks are identified, assessed, managed and monitored across the businesses of the Group. The Group Executive Committee reports quarterly to the Board on changes in the risk landscape and developments in the management of principal risks.

The Group Executive Committee has established two separate Risk Management Committees ("RMC"), one in Malaysia and one in Hong Kong, to oversee and drive improvement in risk management.

The two RMCs are responsible for overseeing the implementation of the risk management framework, reviewing the risk management processes periodically and ensuring that ongoing measures taken are adequate to manage, address and mitigate the risks identified.

The same principle applies to the Risk Management Units ("RMU"), where risk identification, mitigation and monitoring accountability rest with the respective subsidiaries within the Group. The RMU comprises key management staff from each division within the operating company.

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RISK MANAGEMENT PROCESS

The risk management process is cascaded through the Group. All key management, heads of subsidiary companies and heads of departments have to identify, evaluate and manage risks associated with the business operations on an ongoing basis with defined parameters, and record the identified risks in the risk registers. This process must take place at least once a year.

For each risk identified, the management will assess the root causes, consequences and mitigating controls. An assessment is then made taking into account the probability of the risk occurring and the impact before and after mitigating controls. The content of the risk register is determined through review by the RMU and discussions with senior management.

At each RMU meeting, the overall risk profile of the operating company is assessed, significant risks are identified, the risk register is updated and action plans for mitigation are prepared. A risk assessment report comprising the action plans on significant risks is tabled to the RMC. The deliberation of risks and related mitigating responses are carried out at regular management meetings of the operating companies.

In essence, risks are dealt with and contained at the respective subsidiaries, and are communicated upwards to the Board via the RMC and the Group Executive Committee.

The Group Executive Committee is assisted by the Risk Coordinators in Hong Kong and Malaysia, who act as the Group's focal points for all risk management activities within their respective regions.

PRINCIPAL RISKS AND UNCERTAINTIES

Outlined below are the principal risks and uncertainties that could materially affect the Group's performance. The Board continually reviews the potential risks facing the Group and the controls in place to mitigate any adverse impact. The Board also recognises that this is not an exhaustive list of all relevant risks and uncertainties. Other factors besides those listed below could also affect the Group and give rise to material consequences.

Nature of risk

Economic and Geopolitical Uncertainty

We are exposed to political and economic risks in the markets in which we operate. Several factors, such as the ongoing conflict in Ukraine, prolonged supply disruptions, tensions between China and the United States, and financial market volatility due to monetary policy adjustments, have all impacted the global growth outlook.

Moreover, the slowdown in growth in developed economies, including the United States and the European Union, has raised concerns about a potential recession in 2023, which poses a significant threat to the global economy.

Despite the anticipated reduction in external demand, Malaysia's economy is predicted to grow by 4.0% in 2023, while Hong Kong's economy is expected to experience a significant resurgence with a projected real GDP growth rate between 3.5% and 5.5%.

However, the risk of economic instability and inflationary pressures may cause changes in consumer demand for our products and services, which could harm our revenue and profitability.

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Mitigating actions

- The Group's diverse geographic presence and expansion of revenue streams serve as effective measures to mitigate the impact of political or economic uncertainty in any particular country or region.
- The Group has established a monthly reporting process to monitor trading results against budgets and quickly respond to any impacts from economic instability.
- The Group remains vigilant in continuously monitoring macroeconomic developments and market conditions, allowing it to develop plans to address potential threats or capitalise on opportunities.
- To maintain its competitiveness and attractiveness in the markets it operates, the Group is prioritising the development of additional marketing opportunities and digital revenue streams.

Nature of risk

Market Disruption

Our business is currently experiencing a rapidly evolving advertising landscape and shifting reading habits, which could have adverse effects on our revenue and profitability.

It's crucial that we proactively anticipate and respond to market disruption and changes in consumer behaviour to maintain demand for our products and achieve long-term growth.

Moreover, the recent push to improve privacy standards across the advertising industry may have significant implications for our advertising revenue by limiting the effectiveness of targeted advertising.

To sustain growth, we must expand our digital audience by providing content and services that our readers and advertisers trust and value. Failure to do so could potentially negatively impact our financial performance.

Mitigating actions

- Invest in high-quality content, data and technology to drive engagement and loyalty.
- Expand our video content offerings on our owned websites as part of our strategy to provide a more immersive and engaging user experience.
- Enhance our first-party audience capabilities, enabling us to better target advertiser campaigns using our audience data.
- Grow our marketing teams with a focus on developing expertise in online sales.
- Increase marketing activities focused on retaining reader engagement.
- Focus on developing digital revenue streams through value creation for advertisers.
- Continue to take tactical measures to minimise the decline in print revenue and maintain profitability.

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Nature of risk

Climate Change

The impacts of climate change and government interventions aimed at reducing greenhouse gases may pose significant risks to our operations, supply chains, and business model.

Extreme weather events caused by climate change can lead to decreased revenue and customer retention, as well as increased costs for production and distribution. Additionally, some of our suppliers are situated in high-risk areas that could affect our supply chain.

As such, climate change presents a multitude of risks to our business and threatens our ability to achieve our strategic objectives.

Mitigating actions

- We have set a goal to become “carbon neutral” by 2050 and management is actively monitoring and measuring the progress towards this goal.
- Investing in sustainable and energy-efficient practices across our operations to reduce our carbon footprint.
- Work with our suppliers to identify and address any climate-related risks in our supply chain, including assessing their climate resilience and encouraging the adoption of sustainable practices.
- Continue monitoring and evaluating the potential impacts of climate change on our operations and supply chain, and develop contingency plans to mitigate any disruptions or losses.
- Actively engaging with government and industry stakeholders through our publications, advocating for policies and regulations that address the risks posed by climate change and support the transition to a low-carbon economy.

INTERNAL AUDIT

The in-house Internal Audit (IA) Function endeavours to enhance and protect the organisational value of the Group by providing a risk-based and objective assurance, advice and insight. The IA Function operates independently to evaluate and improve the adequacy and effectiveness of risk management, internal control systems and governance processes in a systematic and disciplined approach.

An annual internal audit plan was formulated and presented to the Audit Committee for approval. The reviews conducted were to provide a reasonable assurance that risk management and internal control processes are in place and operating satisfactorily. For any significant gaps identified, the IA Function provides recommendations to the management to improve the design, process and procedure, where applicable. The head of Internal Audit has direct access to the Chairman of the Audit Committee, whenever deemed necessary and tabled reports to the Audit Committee on a quarterly basis.

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OTHER INTERNAL CONTROL PROCESSES

Apart from the above, the other key features of the Group's internal control systems are as follows:

- The Group has established an organisational structure with clearly defined lines of roles and responsibilities, authority limits and accountability with periodic updates in order to align to businesses and operations requirements;
- Relevant executive directors and senior management have been delegated with specific authorities and responsibilities for monitoring the performance of designated business operating units;
- The Board reviews and approves the Group's business plans, operating and capital budgets annually. The Group's senior management meets monthly with operating companies' management to review their businesses and financial performances against the business plans and approved budgets. Key business risks relevant to each operating company are also reviewed in these meetings;
- Explanations of actual performance and significant variances against budgets are provided to the Board quarterly. This helps the Board and senior management to timely monitor the Group's performance and to give strategic directive and execute plans to suit the changes in the business environment;
- Each operating company maintains internal controls and procedures appropriate to its structure and business environment whilst complying with the Group's policies, standards and guidelines;
- The Group maintains appropriate insurance programmes to provide sufficient insurance coverage on its major assets and against libel suits that could result in material loss. The insurance brokers assist management in conducting a yearly risk assessment on the Group's operations, which helps the Group in assessing the adequacy of the insurance coverage;
- The Board reviews all areas of significant financial risk and approves all significant capital projects and investments after a detailed review and consideration;
- The Group has established IT Services Continuity Plans in key business units primarily aimed to handle potential IT service interruptions;
- The Group has established a Crisis Management Team in a key business unit to manage and handle significant risks or crises faced by the business unit;
- The treasury department manages the cash balances and exposure to currency transaction risks through treasury policies, risk limits and monitoring procedures;
- The Code of Conduct and Ethics serves as guiding principles for adherence by all its employees on the high standards of conduct and ethical values in all business practices;
- The Group has implemented an anti-bribery and corruption policy which is regularly reviewed. In adherence to this policy, the Group has implemented a range of control measures, such as conducting regular staff training, sending periodic email reminders to prevent corruption, assessing corruption risks in the company's risk profiles, requiring key managerial staff to make an annual declaration of conflicts of interest, and conducting continuous monitoring and review through the IA Function; and
- The legal department monitors compliance with relevant laws and regulations including anti-bribery and corruption which govern the Group's businesses.

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WHISTLEBLOWING POLICY

The Group's Whistle Blowing Policy was revised and approved by the Board in February 2023. The policy outlines the Group's commitment towards enabling its employees as well as any third party who is not an employee to raise concerns including but not limited to the Group's malpractices, wrongdoings or improprieties in financial reporting, accounting, auditing, internal controls, bribery or corruptions, sexual harassment, breach of confidentiality, breach of the Group's policies or failure to comply with legal or regulatory requirements. Proper arrangements have been put in place for the fair and independent investigation of such matters and with appropriate follow-up actions. All matters reported will be investigated and handled with strict confidentiality. The effectiveness of this policy is monitored and reviewed regularly by the Audit Committee.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board has reviewed the adequacy and effectiveness of the Group's risk management framework and internal control activities to ensure that necessary actions have been or are being taken to rectify inadequacy or weaknesses identified during the year.

The Board has also received reasonable assurance from the Group CEO and the Head of Finance that the Group's system of risk management, internal control and preventive measures against corruption, in all material aspects, is operating adequately and effectively. For the financial year under review and up to the date of this Statement, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

In this connection, the Board concludes that an effective system of risk management, internal control and preventive measures against corruption is in place to safeguard the shareholders' investment and the Group's assets.

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement on Risk Management and Internal Control was approved by the Board on 29 May 2023.