Ornapaper

Annual Report 2021

Contents

Corporate Information

BOARD OF DIRECTORS	: Mr. Sai Chin Hock (Executive Director) Mr. Sai Han Siong (Chief Executive Director) Mr. Siow Kee Yen (Independent Non-Executive Director) Datuk Adillah binti Ahmad Nordin (Independent Non-Executive Director) Mr. Tan Chin Hwee (Independent Non-Executive Director) Mr. Sai Ah Sai (Non-Independent Non-Executive Director)
AUDIT COMMITTEE	Mr. Siow Kee Yen (Chairman) Datuk Adillah binti Ahmad Nordin Mr. Tan Chin Hwee
BOARD RISK MANAGEMENT COMMITTEE	Mr. Tan Chin Hwee (Chairman) Mr. Siow Kee Yen Datuk Adillah binti Ahmad Nordin
NOMINATION COMMITTEE	Mr. Siow Kee Yen (Chairman) Datuk Adillah binti Ahmad Nordin Mr. Tan Chin Hwee
REMUNERATION COMMITTEE	Datuk Adillah binti Ahmad Nordin (Chairperson) Mr. Siow Kee Yen Mr. Tan Chin Hwee
COMPANY SECRETARIES	Ms. Chua Siew Chuan (MAICSA 0777689) SSM PC No.: 201908002648 Ms. Yau Jye Yee (MAICSA 7059233) SSM PC No.: 202008000733
REGISTERED OFFICE	No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka. Tel: 606-2880220 Fax: 606-2880570
CORPORATE OFFICE	No. 8998, Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka. Tel: 606-3355888 Fax: 606-3356988 Website: www.ornapaper.com
SHARE REGISTRAR	Aldpro Corporate Services Sdn. Bhd. 202101043817 (1444117-M) Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor. Tel: 603-7890 0638 Fax: 603-7890 1032 Email: admin@aldpro.com.my
AUDITORS	Crowe Malaysia PLT 201906000005 (LLP0018817-LCA) & AF 1018 Chartered Accountants 52, Jalan Kota Laksamana 2/15 Taman Kota Laksamana, Seksyen 2, 75200 Melaka. Tel: 606-2825995 Fax: 606-2836449
PRINCIPAL BANKER	RHB Islamic Bank Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

Profile of Directors

Mr Sai Chin Hock

Age	: 73
Nationality	: Malaysian
Gender	: Male
Designation/ Position in the Company	: Executive Director
Date of appointment	: 26 January 2010
Qualification	: Bachelor of Commerce Degree from Nanyang University Singapore
Work experience	: Managing in various industries
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct – Nil
	: Indirect – 22,693,874 shares
Family relationship with any directors and/ or major shareholders of the Company	: Uncle of Sai Han Siong and brother of Sai Ah Sai
Conflict of interest with the Company	: None
List of conviction for offences within the past 5 years	: None

Mr Tan Chin Hwee

Age	: 56
Nationality	: Malaysian
Gender	: Male
Designation / Position in the Company	: Independent Non-Executive Director; Chairman of Board Risk Management Committee; Member of Audit Committee, Nomination Committee and Remuneration Committee
Date of appointment	: 22 January 2014
Qualification	: Member of Malaysian Institute of Accountants; Bachelor of Accounting from University of Malaya
Work experience	: Audit Senior in Coopers & Lybrand (1991 to 1995); Manager in Ample Consult Sdn Bhd (1996 to 2000); Director of Ornapaper Industry (Batu Pahat) Sdn Bhd (1999 to 2008); Group financial controller of Ornapaper Berhad (2005 to 2007); Manager in KC Chia & Noor (2008 to 2013); Director of PI Secretarial Sdn Bhd (2015 - present)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Nil
Family relationship with any directors and / or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 5 years	: None

Profile of Directors

Mr Siow Kee Yen

Age	: 51
Nationality	: Malaysian
Gender	: Male
Designation / Position in the Company	: Independent Non-Executive Director; Chairman of Audit Committee and Nomination Committee; Member of Remuneration Committee and Board Risk Management Committee
Date of appointment	: 2 December 2002
Qualification	: Member of Malaysian Institute of Accountants; Honours Degree in Bachelor of Accountancy
Work experience	: Audit Senior in Arthur Andersen & Co. (1996-1999); Audit Manager with Chin & Co. (2000-2001); Partner of KY Siow & Co. (since 2001-2019); KY Siow & Co. PLT (since 2020)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct - 30,500 shares : Indirect - Nil
Family relationship with any directors and / or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 5 years	: None

Datuk Adillah binti Ahmad Nordin

Age	: 53
Nationality	: Malaysian
Gender	: Female
Designation/ Position in the Company	: Independent Non-Executive Director; Chairperson of Remuneration Committee; Member of Audit Committee, Remuneration Committee and Board Risk Management Committee
Date of appointment	: 2 December 2002
Qualification	: LL.B (Honours) Nottingham University Barrister-At-Law (Middle Temple London)
Work experience	: English Bar & Malaysian Bar (1993 &1994); Advocate & Solicitor with Adillah A. Nordin (present)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct - 34,000 shares : Indirect - Nil
Family relationship with any directors and/ or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of conviction for offences within the past 5 years	: None

Profile of Directors

Mr Sai Han Siong

Age	: 52
Nationality	: Malaysian
Gender	: Male
Designation / Position in the Company	: Chief Executive Director
Date of appointment	: 27 May 2016
Qualification	: Singapore-Cambridge Certificate - GCE 0 Level Federal Institute of Technology - Civil Engineering Diploma; City and Guilds of London Institute - Certificate in Concrete practice
Work experience	: Supervisor in Sungai Way Construction Sdn Bhd (1995); Manager in Mega Quarry Products Sdn Bhd (1996-1999); Director of Mega Quarry Products Sdn Bhd (2000-present)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct – 15,000 shares
	: Indirect – 23,276,198 shares
Family relationship with any directors and / or major shareholders of the Company	: Nephew of Sai Chin Hock and son of Sai Ah Sai
Conflict of interest with the Company	: None
List of conviction for offences within the past 5 years	: None

Mr Sai Ah Sai

Age	: 85
Nationality	: Malaysian
Gender	: Male
Designation / Position in the Company	: Director
Date of appointment	: 01 Jan 2018
Qualification	: -
Work experience	: Director of Perfect Food Manufacturing (M) Sdn Bhd (1995 to present); Director of Mega Quarry Products Sdn Bhd (2012 to present); Director of Julie's Manufacturing Sdn Bhd (2005 to present)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct – 120,000 shares
	: Indirect – 24,340,698 shares
Family relationship with any directors and / or major shareholders of the Company	: Brother of Sai Chin Hock and father of Sai Han Siong
Conflict of interest with the Company	: None
List of conviction for offences within the past 5 years	: None

Profile of Key Management

Name	: Lim Joo Song
Age	: 51
Nationality	: Malaysian
Gender	: Male
Designation /Position in the Company	: Chief Operations Officer
Date of appointment	: 31 Mar 2010
Qualification	: Degree Holder of Political Science In National Taiwan University
Working experience	: Sales Executive - Ornapaper Industry (Batu Pahat) Sdn Bhd (1998 - 2001) Sales Manager - Ornapaper Industry (Batu Pahat) Sdn Bhd (2001 - 2005) General Manager - Ornapaper Industry (Batu Pahat) Sdn Bhd (2005 - 2009) Chief Operations Officer - Ornapaper Industry (M) Sdn Bhd (2020 - present)
Directorship in other Public Companies & listed issuers	: Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 5 years	: Nil

Name	: Bung Choon Kong
Age	: 62
Nationality	: Malaysian
Gender	: Male
Designation /Position in the Company	: General Manager
Date of appointment	: 1 Aug 2009
Qualification	: MCE
Working experience	: Sales Supervisor - Eng Shuen Paper Industrial Co. (M) Sdn Bhd (1991 - 1992) Sales Executive - Eng Shuen Paper Industrial Co. (M) Sdn Bhd (1992 - 1994) Sales Manager - Eng Shuen Paper Industrial Co. (M) Sdn Bhd (1994 - 1998) Sales Manager - Ornapaper Industry (Perak) Sdn Bhd (1998 - 2007) Regional Manager - Ornapaper Industry (Perak) Sdn Bhd (2007 - 2009) General Manager - Ornapaper Industry (Perak) Sdn Bhd (2020 - present)
Directorship in other Public Companies & listed issuers	: Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 5 years	: Nil

Profile of Key Management

Name	: Foo Chee Juin
Age	: 67
Nationality	: Malaysian
Gender	: Male
Designation /Position in the Company	: Director/General Manager
Date of appointment	: 1 Aug 1999
Qualification	: Higher School Certificate 1975 English College Johor Bahru (1968 - 1974) Associate Member of Institute of Bankers (London) (1975 - 1980)
Working Experience	: Company Secretary - Pl Chua & Co. Sdn Bhd (1980 - 1989) Corporate General Manager - Polyplus Holding Berhad (1989 - 1995) Corporate General Manager - Century Bonds Sdn Bhd (1995 - 1997) Director - Genesis Packages Sdn Bhd (1997-1999) Director/General Manager - Ornapaper Industry (Johor) Sdn Bhd (1 Aug 1999 - present)
Directorship in other Public Companies & listed issuers	: Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 5 years	: Nil

Name	: Alan Kang Chee Hwee
Age	: 49
Nationality	: Malaysian
Gender	: Male
Designation /Position in the Company	: Assistant General Manager
Date of appointment	: 1 January 2012
Qualification	: SPM
Working Experience	: Administration Officer - PCCS (1996 - 1997) Operating Officer - Hotel Carnival (1997 - 1998) Sales Executive - Fliplex Sdn Bhd (1998 - 2000) Production Planner - Chiga Light Industry (2000 - 2003) Sales Executive - Ornapaper Industry (Batu Pahat) Sdn Bhd (2003 - 2005) Senior Sales Executive - Ornapaper Industry (Batu Pahat) Sdn Bhd (2005 - 2010) Asst. Sales Manager - Ornapaper Industry (Batu Pahat) Sdn Bhd (2010 - 2011) Asst. General Manager - Ornapaper Industry (Batu Pahat) Sdn Bhd (2012 - Present)
Directorship in other Public Companies & listed issuers	: Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 5 years	: Nil

Profile of Key Management

Name	: Teng Say Yeong
Age	: 55
Nationality	: Malaysian
Gender	: Male
Designation /Position in the Company	: General Manager
Date of appointment	: 1 Jul 2009
Qualification	: SPM
Working experience	: Material Analysis Officer - Thomsam Audio, Muar (1986 - 1990) Director - Toli Packaging (KL) Sdn Bhd (1992 - 1996) Director - Tripack Packaging (M) Sdn Bhd (1996 - 2006) Sales Manager - Tripack Packaging (M) Sdn Bhd (2006 - 2009) General Manager - Tripack Packaging (M) Sdn Bhd (1 Jul 2009 - present)
Directorship in other Public Companies & listed issuers	: Nil
Family relationship with any directors and / or major shareholders of the Company	: Nil
Conflict of interest with the Company	: Nil
List of conviction for offences within the past 5 years	: Nil

Management Discussion and Analysis

GROUP'S BUSINESS OVERVIEW

Ornapaper Berhad ("Ornapaper") and its subsidiaries ("the Group") started its corporate journey with the incorporation of Ornapaper Industry (M) Sdn. Bhd. on 24 July 1990 with its humble beginning in rented premises for the commencement of business activity as a manufacturer of corrugated cartons. Riding on the economic boom in the early 90's and with a continuous investment programme, a new high-technology production and development facility was made available in October 1996. The Group then expanded its operation to become a corrugated board manufacturer and Ornapaper Berhad was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Kuala Lumpur stock exchange in 2002.

The Group is involved in the manufacturing of corrugated boards and cartons boxes (paper packaging), paper-based stationery products as well as provision of logistics services in Malaysia. Ornapaper is operating through its wholly owned subsidiaries in Malaysia, namely, Ornapaper Industry (M) Sdn. Bhd., Ornapaper Industry (Batu Pahat) Sdn. Bhd., Ornapaper Industry (Perak) Sdn. Bhd., Tripack Packaging (M) Sdn. Bhd., Quantum Rhythm Sdn. Bhd. and Ornapaper Logistics Sdn. Bhd., as well as its partly owned subsidiary, namely, Ornapaper Industry (Johor) Sdn. Bhd.

Ornapaper Logistics Sdn. Bhd. is a logistics company established and commenced its business operation since August 2017 to fulfil internal transportation needs of the Group. The revenue contribution of the logistics company to the Group's revenue in 2021 remained insignificant at approximately 0.7%. As for Quantum Rhythm Sdn. Bhd. which is primarily involved in the manufacturing of paper-based stationery products, it contributed approximately 4% of the Group's total revenue consistently for the past few years from both local (approximately 70% of Quantum Rhythm Sdn. Bhd.'s sales) and export (approximately 30% of Quantum Rhythm Sdn. Bhd.'s sales) markets.

Whereas, the rest of the subsidiaries that contributed to more than 90% of the Group's revenue are principally engaged in the design, manufacturing and sales of corrugated boards and carton boxes, serving the packaging needs of various industries in Malaysia, namely, electronics and electrical ("E&E"), foods and beverages ("F&B"), furniture, textile and garments, rubber and plastic, hardware and steel, chemical products, sports and agriculture industry as well as other stand-alone converters who do not own a corrugator plant.

The Group specialises in delivering customised corrugated cartons and value-added solution to our customers with our industry expertise in a rapidly changing marketplace. There are a wide range of selection of corrugated box types produced by the Group, such as, regular slotted cartons ("RSC"), top and bottom ("T&B"), five panel folder ("FPF"), half slotted carton ("HSC"), full overlap slotted carton ("FOL"), L shape, H shape, nesting, corrugated pads and die-cut products. The Group also supplies measuring cardboard boxes and corrugated flutes comprising single face, single wall, double wall and triple wall corrugated sheetboard to fulfil different industry needs.

Management Discussion and Analysis

The Group is one of the largest manufacturers and suppliers of corrugated boards and cartons in Malaysia, supplying corrugated boards and packaging products of superior quality through strict adherence to quality and environmental standards in compliance with ISO 9001 Quality Assurance Manual and ISO 14001:2015 accreditations. The Quality Assurance laboratories of the Group are equipped with various precision test equipment and apparatus in facilitating the Quality Assurance team to ensure the quality standards are met at all stages of production for delivery to customers. The Group is working aggressively in exploiting all potential synergies to improve and maintain high product quality and service efficiency. The Group is mindful that improving quality is the key to improving performance and performance is the yardstick of quality. Constant improvement to machinery and production technology has enhanced the Group's competitive edge over others in the industry.

The Group aims to be a leading provider of packaging and related solutions serving the packaging needs of the modern manufacturing sector, through improving and strengthening the Group’s operational core competency. Most of the Group’s products are manufactured in accordance with customers’ specifications and requirements. With the vision of “To be the best business partner for its customers”, the Group is offering greatest quality products and outstanding customer service while achieving optimal cost and sales value equilibrium for long term sustainability. This could be achieved through production optimisation coupled with the recruitment and training of a competent workforce as well as sourcing for high quality but reasonably priced raw materials from credible local vendors to deliver value added products for the customers.

Armed with the application of modern technologies and innovation in manufacturing automation, the Group is capable of producing high quality corrugated boards and packaging products that meet customers’ needs and satisfaction as well as lifting the packaging standards within the industry in Malaysia. Its existing facilities throughout Malaysia enable the Group to produce approximately 115,000 metric tonnes of corrugated boards and cartons per annum. Strategic service points have been set up in many states in Peninsula Malaysia to provide services and products with the highest possible quality aiming at complete customer satisfaction and delight. The Group prides itself as a supplier of superior products, with excellent customer service and reasonable pricing offered as its fundamentals, thus gaining supports from all its wide-ranging customers. As such, based on progressive management techniques and strong teamwork, we set the goals for continuous improvement in technical know-how and professionalism.

Besides, the Group also intends to co-exist with the society as a guardian of our environment in promoting the recycling program and practicing proper waste control management, which boost the long-term sustainability of the Group’s businesses and operations. As the operating environment of the industry becomes increasingly complex, the Group is progressing towards leveraging on teamwork to attain extraordinary results over the long term. Nonetheless, integrity, transparency, objectivity and accountability are essential to the organisation’s work culture in order to enhance the efficient and effective teamwork and communication amongst employees in driving the Group to success and grow beyond.

Management Discussion and Analysis

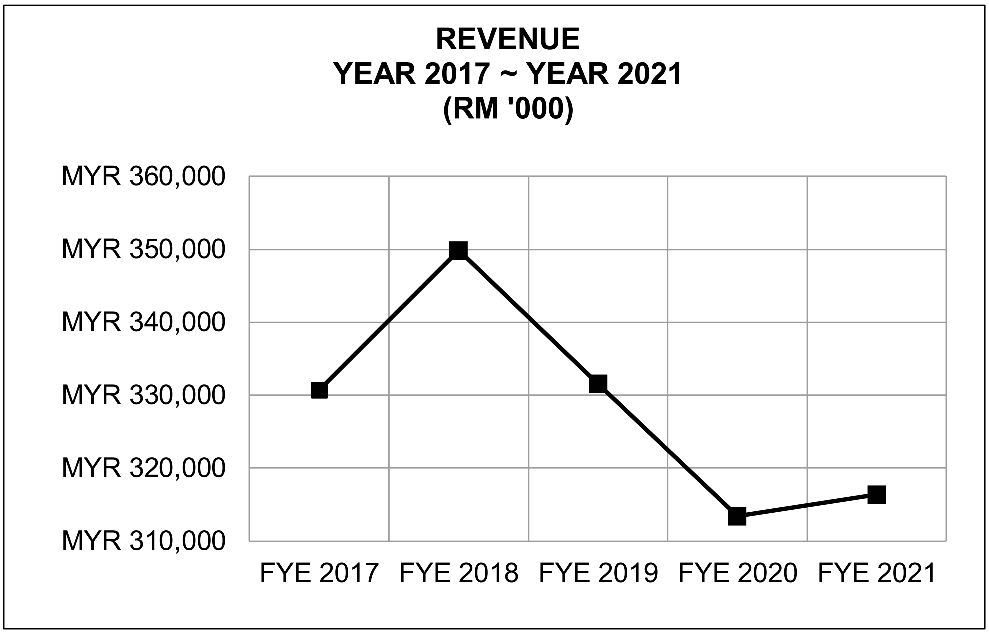
Amidst another challenging year as the market and economy are impacted by uncertainties in the global economic outlook particularly with the recent unprecedented global COVID-19 pandemic that has changed the rhythm of the globe and caused much disruptions to almost all sectors of economies worldwide coupled with various stringent lockdown measures enforced by many countries including Malaysia, the overall business performance of the Group continues to be positive. Nevertheless, the Group adopts a conservative approach in ensuring its balance sheet remains healthy and continuously monitoring its costs and cash flow management, maintaining its presence in the market and improving operating efficiency.

FINANCIAL REVIEW AND OPERATION REVIEW

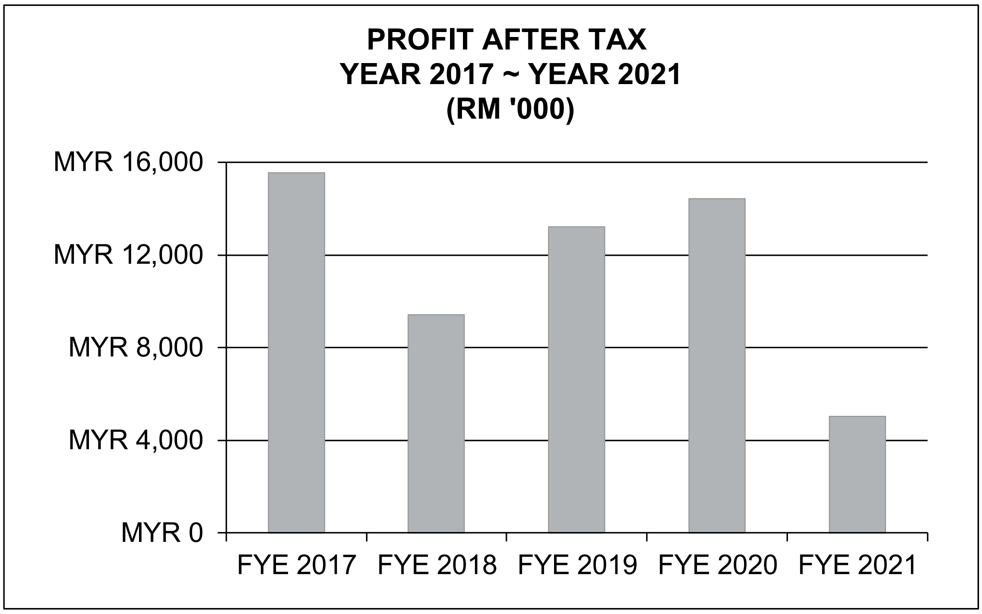
Financial Year Ended 31 December 2021 ("2021") compared with Financial Year Ended 31 December 2020 ("2020")

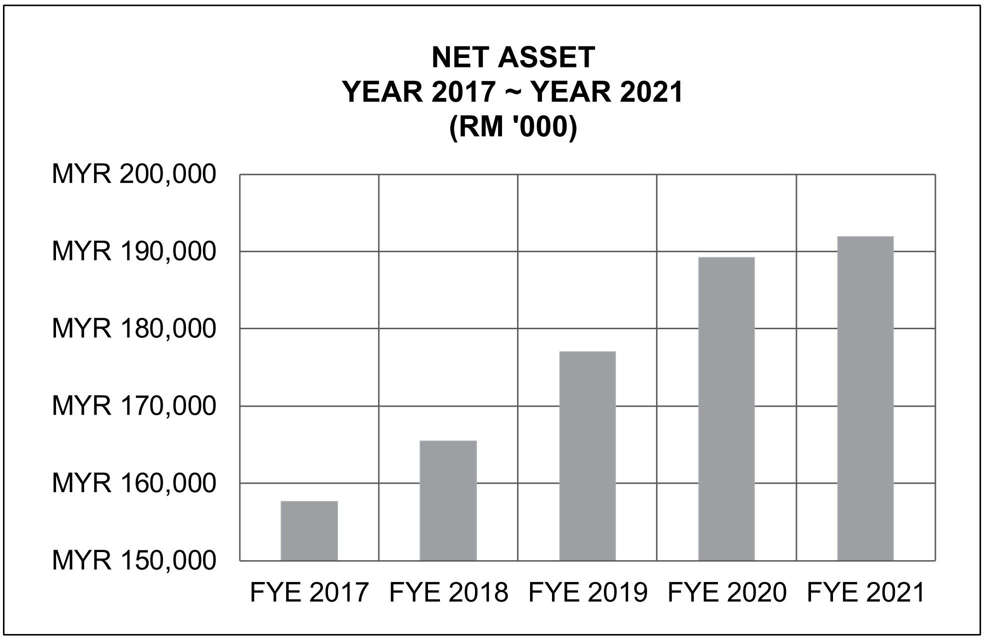
In RM'000 (unless otherwise stated)	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021
REVENUE	330,699	349,853	331,580	313,398	316,354
GROSS PROFIT	60,636	41,986	48,884	49,172	36,455
PROFIT AFTER TAX *	15,536	9,429	13,210	14,425	5,050
NET ASSET	157,642	165,501	176,988	189,204	191,908
NET ASSET PER SHARE (RM) **	2.13	2.23	2.39	2.55	2.59
EPS BASIC (SEN)	21.0	12.7	17.8	19.5	6.8
DIVIDEND PER SHARE (SEN)	2.5	2.5	3.0	3.25	2.0

* Attributable to Owners of Parent.
** Exclude Treasury Shares.

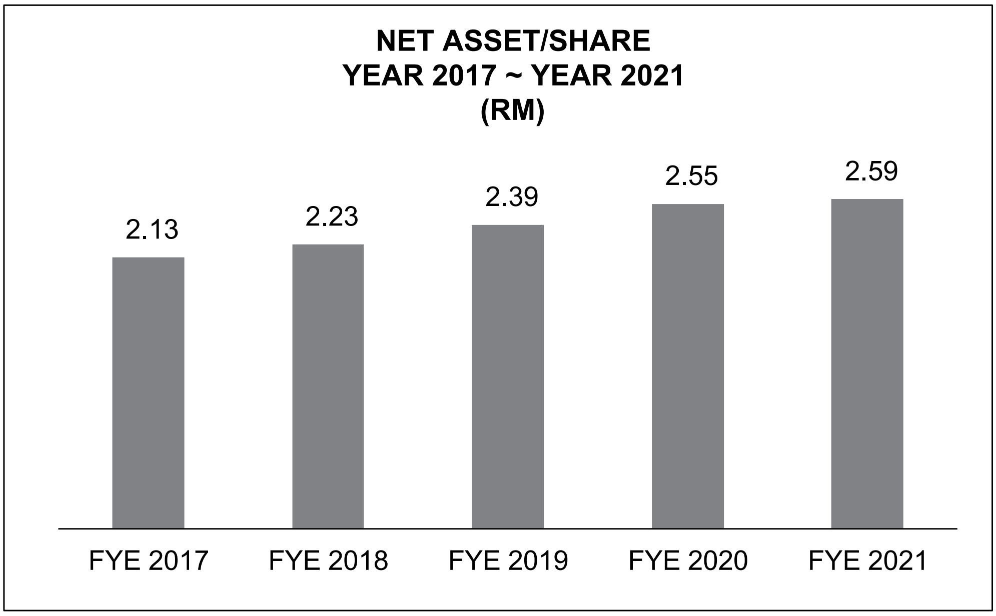


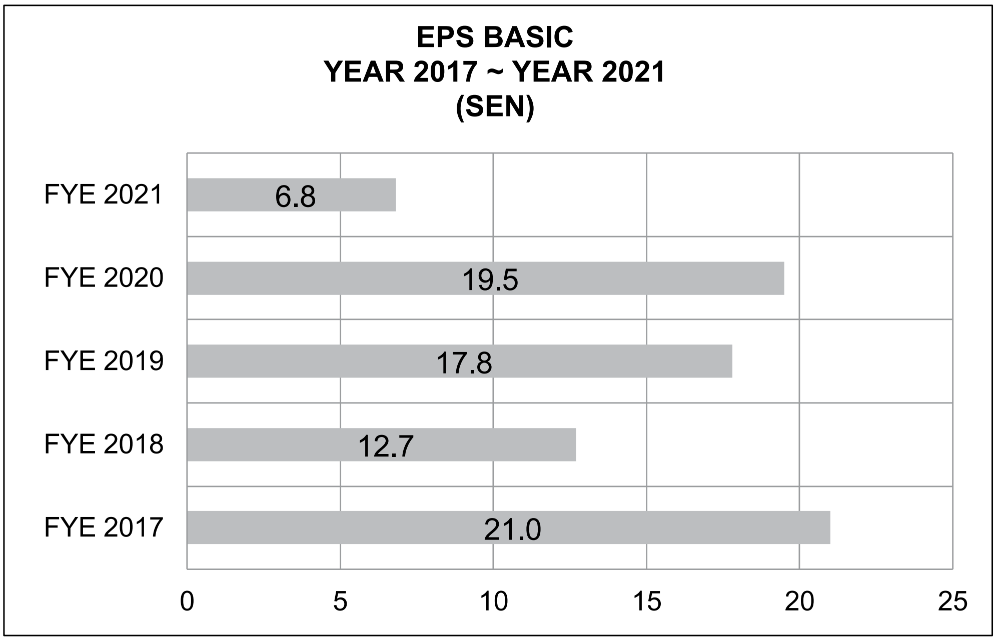
Management Discussion and Analysis



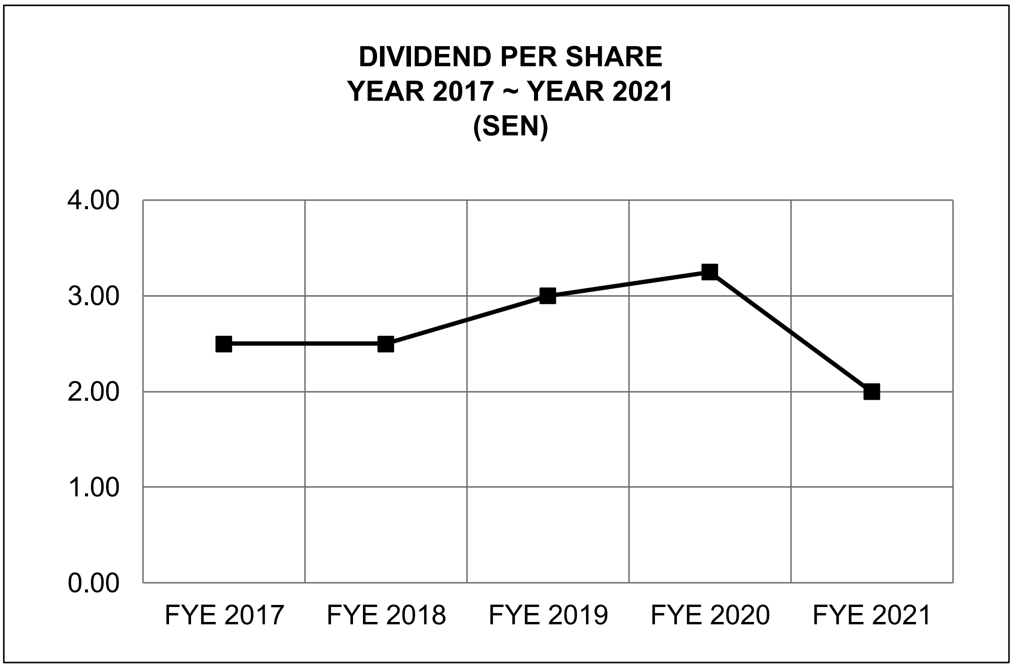


Management Discussion and Analysis





Management Discussion and Analysis



Revenue, Cost of Goods Sold and Gross Profit Margin

The COVID-19 pandemic that has been ongoing for two years persisted to cause significant impacts to all markets worldwide in year 2021. The lingering COVID-19 pandemic with oscillation between the gradually relaxed and re-tightening of movement restrictions due to the fluctuated infectivity and vaccination rates, coupled with the on-going trade spat between the major economic powerhouses and domestic political uncertainty, have brought about substantial disruptions to businesses and slower global economic recovery.

In spite of the challenging business environment with slower economic momentum, the Group managed to remain resilient by generating a revenue of RM 316.354 million for 2021, an increase of approximately RM 2.956 million as compared to the preceding year's revenue of RM 313.398 million. Such growth was primarily contributed by the paper packaging division of the Group. The paper packaging division remained to form the mainstay of the Group's business, demonstrated by its sales contribution of more than 90% of the Group's total revenue in 2021. Similar with 2020, F&B industry, E&E industry and furniture industry remained as the top three (3) sectors the Group was serving, accounted for approximately 50% of the Group's sales in 2021.

Management Discussion and Analysis

The increase in our Group's revenue for the year was primarily driven by the increase in average selling price of paper packaging product by approximately 12% from 2020 to 2021, as a result of the continuous cost pass-through efforts by the Group's Sales and Marketing team in dealing with the increasing raw materials costs which was affected by the limited supply of paper rolls. Besides, the improved product mix structure by improving the premium cartons' contribution to the overall sales composition as well as the customisation of corrugated cartons and value-added solutions provided to customers also contributed to the increase in average selling price. Nevertheless, the sales volume recorded a decrease by approximately 10% from 2020 to 2021, which was mainly attributable to the unprecedented disruptions on the Group's business activities and the operations of some of our customers amidst the global COVID-19 pandemic.

Besides, the increase in average selling price in 2021 was in tandem with the increase in average purchase price of paper roll (per metric tonne ("MT")) by approximately 27% compared to the previous financial year. Paper roll is the highest cost component of both the paper packaging and paper-based stationery products. Hence, the Group's cost of goods sold demonstrated an increase by approximately RM 15.673 million or 6%, from RM 264.226 million for 2020 to RM 279.899 million for 2021, despite lesser consumption of paper roll in 2021 as a result of lower sales volume obtained during the year.

On overall, the gross profit margin of the Group slightly decreased from 16% in 2020 to 12% in 2021, mainly due to the greater increase in costs of goods sold as compared to the increase in revenue generated by the Group from 2020 to 2021, as a result of the price hike and tight supply of raw materials. The impact of such cost upsurge was slightly lessened by the continuous cost pass-through exercises by the Sales and Marketing Department of respective operating subsidiaries as explained above.

Costs and Expenses

(a) Overall administrative and other expenses increased from RM 22.723 million for 2020 to RM 25.302 million for 2021, representing an increment of approximately RM 2.579 million or 11%, mainly due to the impairment losses on plant and equipment as well as right-of-use assets during the year amounted to approximately RM 1.244 million and RM1 million respectively. Additionally, such increment was further supported by the higher COVID-19 related expenses and hostel expenses incurred by the Group for the safety and well-being of the employees in combating the COVID-19 pandemic.

(b) Selling and marketing expenses decreased by approximately RM 0.404 million or 8%, from RM 5.044 million for 2020 to RM 4.640 million for 2021, mainly due to the decrease in sales commission paid to sales personnel during the year as a result of lower sales volume and deliveries to customers as aforementioned following the negative impacts and disruptions from the COVID-19 pandemic.

Other Income

Other income increased from RM 2.511 million for 2020 to RM 3.056 million for 2021, by approximately RM 0.545 million or 22%, primarily contributed by the increase in other operating income during the year by approximately RM 0.707 million or 51% from RM 1.389 million for 2020 to RM 2.096 million for 2021. The increase in other operating income was mainly contributed by the wage subsidy received from PERKESO during the year, amounted to approximately RM 1.032 million, under the Wage Subsidy Programme following the announcement by the Malaysia's Prime Minister on additional measures for the PRIHATIN economic stimulus package in a bid to soften the impact of the lockdowns imposed by the Malaysia government.

Management Discussion and Analysis

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company reduced by approximately RM 9.375 million or 65% from RM 14.425 million for 2020 to RM 5.050 million for 2021. Such decrease was primarily due to the lower gross profit margin with higher costs of goods sold compared to preceding year, as a result of the higher costs of raw materials, especially paper rolls, incurred by the Group during the year as well as the lower sales volume in 2021 due to the lingering impact of the pandemic. Nevertheless, the impact was slightly reduced by the continuous cost pass-through efforts performed in view of the increased costs of raw materials.

Property, Plant and Equipment and Right-Of-Use Assets

Property, plant and equipment as well as right-of-use assets of the Group recorded a decrease of approximately RM 10.812 million or 9% from RM 115.556 million in 2020 to RM 104.744 million in 2021. The decrease was primarily due to the following:

(i) higher impairment losses on plant and equipment as well as right-of-use assets recognised during the year, amounted to approximately RM 2.244 million in 2021 as compared to RM 0.800 million in 2020; and

(ii) lesser investment in additional machineries and other production equipment by the Group during the year.

Inventories

Inventories of the Group recorded an increase of approximately RM 15.284 million or 29% from RM 52.495 million in 2020 to RM 67.779 million in 2021. The increase was primarily due to the upsurge in costs of raw materials, especially paper rolls, as compared to the preceding financial year, in consequence of the limited supply of paper notwithstanding the lower volume of paper rolls purchased in 2021 considering the lower sales volume secured from customers during the year. Therefore, the inventory turnover days (average inventories divided by total costs of goods sold for the year) increased slightly from averagely 74 days in 2020 to averagely 78 days in 2021.

The Management continues to take initiative to stringent the procurement and inventory management process of the Group with strict monitoring of raw materials, especially paper rolls, following the severe disruptions from the COVID-19 pandemic. There was no write-down of inventories as the Group adopted First-In-First-Out approach for its inventory management and closed monitoring of its inventory levels.

Trade Receivables

Trade receivables of the Group recorded a decrease by approximately RM 1.349 million or 2% from RM 79.779 million in 2020 to RM 78.430 million in 2021. Such decrease was mainly contributed by the improved collections from customers following discounts given to customers for prompt payments made. The trade receivables turnover days (average trade receivables divided by total sales for the year) improved slightly from averagely 92 days in 2020 to averagely 91 days in 2021 despite the overall weak and challenging business and market sentiment worldwide and the unprecedented COVID-19 pandemic. The Group made every effort in managing its sales with prudent and conservative credit measures in view of the weak market sentiment as well as uncertainties from the global pandemic.

Management Discussion and Analysis

Other Current Assets

Other current assets of the Group increased from RM 2.649 million in 2020 to RM 7.509 million in 2021, representing an increase of approximately RM 4.860 million or 183%. The increase was mainly contributed by higher progressive payments and deposits made to vendors in 2021 amounted to RM 5.846 million compared to 2020 at approximately RM 0.799 million, for purchases of property, plant and equipment for planned upgrade exercise.

Trade and Other Payables

(i) The trade payables balances increased from RM 25.236 million in 2020 to RM 28.959 million in 2021, by approximately RM 3.723 million or 15%, mainly due to prudent working capital management practiced by the management. Therefore, there was a marginal increase in the trade payables turnover days (average trade payables divided by total purchases for the year) from averagely 32 days in 2020 to averagely 35 days in 2021.

(ii) The other payables balances decreased by approximately RM 3.756 million or 22% from RM 16.872 million in 2020 to RM 13.116 million in 2021, mainly due to lesser outstanding balances owed to vendors for purchases of machineries by approximately RM 2.328 million.

Loans and Borrowings

The total short-term and long-term loans and borrowings of the Group increased by approximately RM 2.300 million or 4% from RM 64.145 million in 2020 to RM 66.445 million in 2021. The increment was primarily due to the higher banker acceptance facilities utilised by the Group for purchases of paper rolls during the year.

Lease Liabilities

On overall, the current and non-current lease liabilities of the Group decreased by approximately RM 1.939 million or 19% from RM 10.344 million in 2020 to RM 8.405 million in 2021. The decrease was mainly attributable to the repayment of hire purchases for purchases of machineries and rental of factory during the year without any drawdown of lease liabilities as compared to year 2020.

Liquidity, Capital Resources and Capital Expenditure

The Group's capital expenditure and working capital requirements were financed by, firstly, cash generated from operations and secondly, long-term debt financing and working capital financing provided by the financial institutions. It is the Group's policy that capital expenditure to be financed by long-term debt financing corresponding to the gestation period of the capital investment project. Major capital expenditures incurred during the financial year were plant and machineries upgrade and capacity expansion projects to improve production capacity and efficiency. The capital expenditures incurred during the financial year were financed by internally generated funds and long-term debt financing. The Group will continue to carry out plant and machineries upgrades at respective operating subsidiaries to facilitate production capacity expansion and to improve production efficiency in near future in order to maintain our competitiveness.

Management Discussion and Analysis

From working capital aspect, the Group continued to demonstrate its ability to maintain its working capital liquidity by paying its current liabilities with cash collected from its current assets generated from its business operations. The Group was able to maintain its current ratio at 1.90 times in 2021 as compared to 1.80 times in the preceding financial year. Meanwhile, the acid test ratio of the Group was relatively stable with minimal decrease from 1.33 times in 2020 to 1.30 times in 2021.

Cash and cash equivalents decreased slightly from RM 58.193 million as at 31 December 2020 to RM 53.008 million as at 31 December 2021. The decrease in cash and cash equivalents was mainly attributable to the lower net cash inflow generated from operating activities by the Group at RM 10.671 million in 2021 compared to RM 39.010 million in the preceding financial year. This was mainly attributable to the increase in inventories during the year due to higher average purchase price of raw materials, especially paper rolls, as well as the increase in trade and other payables in 2021 as compared to 2020 as a result of prudent working capital management practiced by the management.

Additionally, the decrease in cash and cash equivalents was also partly contributed by the upsurge in net cash flows used in financing activities, which recorded a net cash outflow of RM 5.942 million in 2021 compared to RM 4.043 million in 2020. This was mainly due to no drawdown of term loans and lease liabilities in 2021 compared to 2020. However, such upsurge was reduced by the higher net drawdown of bankers' acceptances during the year. On the other hand, the decrease in cash and cash equivalents was mitigated by the lower net cash flows used in investing activities which was reduced from RM 14.307 million in 2020 to RM 9.909 million in 2021. The decreased net cash outflow was primarily due to the decrease in fixed deposits placed with licensed banks in 2021 compared to the previous financial year.

Debt-to-Equity Ratio

The debt-to-equity ratio (net debt divided by shareholders' equity plus net debt) of the Group as at 31 December 2021 remained healthy at 24% notwithstanding the increase from 22% as at 31 December 2020. Higher debt-to-equity ratio of the Group during the financial year of 2021 was mainly attributable to the lower cash and bank balances as at the end of the current financial year as compared to previous financial year as a result of the factors explained above.

REVIEW OF OPERATING ACTIVITIES

In RM'000 (unless otherwise stated)	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021
GROSS PROFIT MARGIN (%)	18%	12%	15%	16%	12%
EBITDA MARGIN (%)	11%	9%	11%	12%	8%
REVENUE PER AVERAGE EMPLOYEE	382	372	336	314	338
EBITDA PER AVERAGE EMPLOYEE	41	32	36	39	27
NUMBER OF AVERAGE EMPLOYEE (PAX)	865	940	986	998	936

Management Discussion and Analysis

There are two (2) core operating segments that the Group is involved in, i.e. paper packaging business and paper-based stationery products. The lower gross profit margin of 12% in 2021 was mainly attributable to the higher average purchase price of raw materials, especially paper rolls, over the increase in average selling price during 2021. Albeit the surge of average purchase price of paper roll throughout the year, effort was putting in to improve the production efficiency in driving down the unit manufacturing cost along with the continuous cost pass-through exercises by the Sales and Marketing Department of respective operating subsidiaries. Hence, the average revenue generated per average employee of the Group demonstrated positive growth from approximately RM 0.314 million in 2020 to approximately RM 0.338 million in 2021.

The Group is developing its business growth through the organic growth strategy, which includes building its revenue and bottom line by increasing and maintaining its customer base, reinvesting profits made as well as improving capacity utilisation and efficiency by enhancing the plants' capacity utilisation with dedicated and skilful workforce in reducing the unit manufacturing cost possible. Nevertheless, the Group will continue to look for and seize the opportunity to embark on mergers or acquisitions should the target company offers good income accretive potential, value added proposition and complement the existing products produced by the Group, justified by reasonable entry price.

(i) Paper Packaging

The paper packaging segment of the Group is operated through its five (5) subsidiaries, namely, Ornapaper Industry (M) Sdn. Bhd., Ornapaper Industry (Batu Pahat) Sdn. Bhd., Ornapaper Industry (Perak) Sdn. Bhd., Ornapaper Industry (Johor) Sdn. Bhd. and Tripack Packaging (M) Sdn. Bhd. For the past five (5) financial years, the revenue (before intercompany sales elimination) generated by the paper packaging segment demonstrated positive growth, except for 2019 and 2020. There was slight increment in revenue by approximately 3% from RM 334.208 million in 2020 to RM 345.561 million in 2021, generally resulted from the higher average selling price offered to the customers in recompensing the aftermath of increase in costs of paper rolls due to the paper shortage.

Therefore, costs of goods sold (before intercompany purchases elimination) also reported corresponding increase trend throughout the financial years, except for 2019 and 2020. It has increased by approximately 8% from RM 285.617 million in 2020 to RM 308.849 million in 2021. Paper roll is one of the core raw materials for the production of corrugated boards, hence, the upsurge of average purchase price of paper rolls definitely raised the costs of goods sold and impacted the profit margin of the Group. Hence, the gross profit margin of the Group's paper packaging segment recorded slight fluctuation throughout the financial years, at a range of 11% to 16%, whereby 2017 recorded the highest margin of approximately 16% while 2018 and 2021 recorded the lowest margin of approximately 11%.

During the financial year, three (3) types of industries served by the Group contributed approximately 50% to the Group of the total revenue in 2021, whereby approximately 21% of the revenue was generated from the F&B industry, approximately 15% of the revenue was generated from the E&E industry and approximately 14% of the revenue was generated from the furniture industry. The revenue contribution from these three (3) types of industries for 2021 were relatively consistent as compared to the sales contribution in 2020.

On the other hand, the administrative and other expenses recorded an increment by approximately 9% from RM 20.506 million in 2020 to RM 22.326 million in 2021, mainly due to the impairment losses on plant and equipment during the year as well as the higher COVID-19 related expenses and hostel expenses incurred by the Group for the safety and well-being of the employees in combating the COVID-19 pandemic.

Management Discussion and Analysis

For the past five (5) financial years from 2017 to 2021, profits before tax generated from the paper packaging segment presented healthy position, except for 2018 and 2021 with a lesser profit before tax earned as compared to 2017 and 2020 respectively. The profit before tax recorded a decrease from RM 22.979 million in 2020 to RM 11.545 million in 2021 due to the explanations aforementioned despite the challenging and volatile global market conditions, uncertainties arising from the COVID-19 pandemic as well as weak consumer sentiments during 2021.

(ii) Paper-Based Stationery

The paper-based stationery segment of the Group is operated by Quantum Rhythm Sdn. Bhd. ("Quantum"). Quantum generated its revenue from sales of manufacturing products which consist of office products and stationery paper products as well as sales of trading items, with the revenue contributions of approximately 10%, 74% and 16% respectively to the total revenue of Quantum in 2021.

The revenue generated by Quantum recorded growth from 2017 to 2018, and subsequently demonstrated a decrease in revenue generated from 2019 to 2021. The revenue was decreased by approximately 25% from RM 20.640 million in 2020 to RM 15.448 million in 2021, mainly due to the decrease in overall sales volume by approximately 35% from 2020 to 2021, particularly the sales of stationery paper products for schools' usage and sales of trading items to printers operating companies. The sales of stationery paper products and trading items were affected badly as schools and printers operating companies were required to be closed due to the lockdowns implemented by the Malaysian government as well as the various lockdown measures imposed by Malaysia government and many other countries that resulted in such demand shrinkage. Consequent to the decrease in revenue generated by Quantum during the year, the costs of goods sold incurred by Quantum decreased too by approximately 23% from RM 20.809 million in 2020 to RM 16.116 million in 2021.

On the other hand, other expenses recorded an increment from RM 1.205 million in 2020 to RM 2.014 million in 2021, by approximately RM 0.809 million or 67%, mainly due to the higher impairment losses on plant and equipment as well as right-of-use assets during the year.

RISK FACTORS EXPOSURE

There are several risks that the Group is exposed to in operating its core businesses of manufacturing and trading of paper packaging and paper-based stationery products, detailed as follows:

(i) Economic Risk

Bring forward the uncertain global economic condition from the prior years with pronounced slowdown of global economy growth resulted from tit-for-tat trade war situation between economy powerhouses, significant fluctuation of crude oil price, persistent supply-chain bottlenecks and inflationary pressures, elevated financial vulnerabilities in large swaths of the world as well as the unprecedented global outbreak of COVID-19 pandemic are among the factors that led to challenging market conditions and hasten the possibility of imminent global recession which many economists foresee long overdue. With global recession a forgone conclusion coupled with various uncertainties mentioned, challenges are abounded in such negative economic condition while recovery is anticipated and expected in year 2022 at the earliest period following the current situation with mass vaccination programme executed to help to curb the COVID-19 infections.

Management Discussion and Analysis

The challenges involved include slower sales due to weakening demand and soft consumer sentiment, tightening of working capital availability, cost pressure due to lower permissible production capacity consequent to the lockdowns imposed by the Malaysian government to restrict movement in order to counter the COVID-19 pandemic in Malaysia. In spite of various challenges aforementioned that affect the business operations of the Group, the Management had undertook various measures, such as, proactive and prompt actions to resume production at permissible level, closely follow up with the customers to preserve the existing sales by the Group arising from the triple headwinds, closed monitoring of the collections from the customers, prudent working capital planning and cash preservation measures, reasonable cost cutting measures, obtained financial assistance via the stimulus packages introduced by the Malaysian government, imposed strict safety and health measures to prevent the spread of COVID-19 in the factory premises.

(ii) Foreign Currency Risk

In the near foreseeable future, stemming from the imminent global recession as well as the uncertainties from the COVID-19 pandemic that severely affected the global economy condition, we expect the operating environment the Group faces will be challenging and intense, especially in the context of the Malaysian Ringgit ("RM") against United States Dollar ("USD") and these developments may affect the Group's profit margin. The Group is exposed to foreign currency risk primarily through sales of paper-based stationery products as well as purchases of raw materials, i.e. paper rolls and machineries that were transacted in USD as a result of strengthening of USD against RM.

The Group does not practice any active hedging of foreign currency due to unpredictable fluctuation of foreign currency, especially in this volatile economic condition. The management of foreign currency risk is performed through close monitoring of foreign currency movement with limited hedging through forward contracts when necessary and prudent cash flow planning by the Management. In order to reduce the impact of foreign currency on the cost of paper packaging and paper-based stationery products produced, the Group reduced its dependency on import of paper rolls from overseas by substituting the consumption requirements through local sources.

(iii) Volatile Key Raw Material Price

As the Group is engaged mainly in the manufacturing of corrugating boards, carton boxes as well as paper-based stationery products, the main raw materials used were the paper rolls (industrial papers and wood free papers), which accounted for more than 60% of the total cost of productions.

The Group is exposed to the risk of volatility in key raw material prices such as paper rolls as well as its supply consistency. Price of paper rolls is subjected to price fluctuation based on the commodity price of wood pulp. Therefore, the price fluctuation may significantly affect the cost of corrugated boards, carton boxes and paper-based stationery products produced. It is especially critical presently in consequent of the global shortage of paper. Hence, the demand for paper that began outstripping its supply had driven the fluctuation and increment in paper roll prices significantly, along with other factors such as the global shortage of shipping containers, congested seaports, capacity constraints on vessel and lockdown in certain markets that caused the shipping costs to skyrocket, resulted in the increase in selling price to customers.

Management Discussion and Analysis

In order to reduce the impact of cost increases without impairing the profit margin and quality of products produced from time to time, the Group has taken initiatives to strictly monitor the costs of raw materials, increase the production efficiency with production optimisation and reduce wastage. Close communication is maintained with suppliers in order to ensure swift and efficient response to such volatility. Apart from that, continuous and reasonable cost pass-through through revised selling price is practiced by the Sales and Marketing Department of respective subsidiaries in order to remain sustainable.

(iv) Competitive Risk

The bigger and established paper and packaging players shall predominate the weaker or smaller suppliers with the ability to maintain their position steadily in this rapidly changing marketplace and their controls on the upstream of the supply chain. Meanwhile, the small-scale paper and packaging players will have difficulty to increase profit margin in the paper and packaging market due to insufficient capital in sourcing for better technologies as well as weaker bargaining power in procuring raw materials especially in encountering the scarcity of supply of paper rolls at this juncture, as well as to cope with the significant upsurge of paper rolls prices, which are then lead to higher production cost to be incurred and hence higher selling price offered to customers in order to sustain further. The small players with little to no profit margin will then be consolidated through mergers and acquisitions by the bigger players in expanding their market shares.

Therefore, it is important for the Group to be competitive enough in securing and maintaining its position in the challenging market. The Group has a diverse customer base in different industrial groups with different product mix structure to counteract the intense competition in local scene. Furthermore, by engaging and maintaining a competent workforce with proper trainings provided, the Group is able to ensure optimal productivity with minimal wastage and excellent quality’s products and services. With the investments in the automation machines and plant expansion, machines capacity could be maximized and expanded which lead to cost efficiency and economy of scale in offering a more competitive pricing structure to customers.

(v) Credit risk

The credit risk of customers increased in response to the weak market sentiment amidst the unprecedented COVID-19 pandemic and such risk is expected to heighten given the enormous uncertainties on the recovery of the global and local economy conditions. While the Group had adopted a feasible sales and marketing approach balanced with prudent credit management and sustainable sales growth and had put in place comprehensive credit management policy and processes in that respect, the Management enhanced the credit management by employing proactive credit monitoring, tightening credit as well as negotiation of temporary measures for payment delay, if necessary, particularly during this difficult period.

Despite the COVID-19 pandemic caused business operations of most of the companies to be halted fully or partially during the full and conditional lockdowns imposed by the Malaysian government, most of the Group’s trade debtors have generally made their payments within the approved credit periods.

Management Discussion and Analysis

FUTURE OUTLOOK

Ever since the outbreak of the COVID-19 in the early of year 2020, there is no apparent indications hinting when the pandemic will come to an end whilst the emergence of new variants of virus resulted a huge spike in the COVID-19 new cases worldwide which casts greater doubt on the epilogue of the pandemic. Amid the vaccinated population around the globe, including Malaysia, has proliferated, global COVID-19 cases are still increasing rapidly as the new Omicron COVID-19 variant spreads. Hence, some countries have reimposed mobility restrictions. Coupled with the unresolved trade war between United States and China, geopolitical tension between Russia and Ukraine as well as the elevated financial vulnerabilities in large swaths of the world, these are expected to bring adverse impacts upon the global economy and slow down economy recovery.

Generally, risks to the global baseline are very much leaned towards the downside. Ascending inflation, debt and income inequality could possibly obstruct the recovery of emerging and developing economies. With comparison to advanced economies, emerging markets and developing economies are suffering from weaker and sluggish recovery due to slower vaccination rate, lacking policy support, and more drastic scarring effects from the pandemic. Additionally, the occurrences of inclining energy prices and supply chain disruptions globally are the dominant forces precipitating the surge of the global inflation rate. Apart from the ongoing pandemic, the breakout of war in Ukraine has further restrained the global economy recovery from the pandemic seeing that the war has caused soaring food and fuel prices along with economic sanctions imposed by numerous countries against Russia. Hence, disruptions to the global supply chain are expected to accelerate the increment in inflation rate and decelerate the global economy development.

In accordance with the report issued by International Monetary Fund (“IMF”) in January 2022, the global growth for year 2022 is forecasted to be shrank to 4.4 percent from 5.9 percent in 2021, and further declining to 3.8 percent for year 2023, largely reflecting forecast markdowns in the two largest economies, namely the United States and China[1]. Elevated inflation is expected to persist for longer period primarily due to the ongoing supply chain disruptions and rising energy prices in 2022. Notwithstanding that, inflation is expected to decrease gradually once monetary policy is implemented in major economies as a counteractive measure against rising inflation rate and the imbalances between supply and demand wane in 2022.

Rising inflation and sluggish growth will be felt by the entire global economy in consonance with the Russia’s invasion of Ukraine as Russia and Ukraine are the major commodities producers, especially for oil and natural gas. The consequences of such humanitarian crisis will flow through three main channels. Firstly, surging prices for commodities such as food and energy will further accelerate the inflation rise, deteriorate the value of incomes and weighing on demand. Secondly, neighbouring economies in particular will be struggling to cope with the disrupted trade, supply chains as well as an extraordinary surge in refugee flows. Thirdly, higher investor uncertainty and lower business confidence will weigh on asset prices, contracting financial conditions and conceivably inducing the occurrence of capital outflows from the emerging markets[2].

[1] *https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022*
[2] *https://blogs.imf.org/2022/03/15/how-war-in-ukraine-is-reverberating-across-worlds-regions/*

Management Discussion and Analysis

The recovery of each country is highly dependent on the extent to which the virus has been contained, vaccination rate among its citizens and the hospitalisation rate. Low and middle-income countries have slower recovery pace as compared to wealthier countries resulted from lower vaccination rates and more restricted fiscal space among the developing countries. Each new outbreak or new mutation of the virus can be seen as a blockade hampering the recovery of the global economy. The health crisis had brought a significant impact on not only the economic life but the labour market too with increase of unemployment rate as well as permanent loss of job and income. As the pandemic persists, the global labour markets struggle to recover. Based on the studies conducted by the International Labour Organisation ("ILO"), it is projected that total hours worked globally in year 2022 will persist at approximately 2 per cent under their pre-pandemic level taking into consideration the population growth, corresponding to a deficit of 52 million full-time equivalent jobs. The global unemployment is forecasted to stand at 207 million in 2022, surpassing its 2019 level by some 21 million[3].

Regardless of the worsening geopolitical issues and increasing COVID-19 cases globally, the nation's domestic demand recovery is envisioned to remain in year 2022 by the Malaysia government, supported by the implementation of supporting policies and assistances targeted at vulnerable households, revamped consumer sentiments, rising private consumption, and slow improvement in labour market conditions resulted from containment measures being uplifted. Furthermore, rapid growth in the vaccinated population in Malaysia is expected to facilitate the removal of pent-up demand, specifically affecting the domestic tourism industry which is the critical supportive element of the economy recovery in Malaysia. In general, the expansion in global and domestic economic activities underpinned by higher vaccination rate, along with anticipated improvement among goods trade, are crucial to the Malaysia's growth trajectory in 2022, although slower recovery is expected for trade relating to services.

The Bank Negara Malaysia ("BNM"), which is the central bank of Malaysia, foresees the nation's economy to rebound in 2022[4] with the economy growth ranging between 5.3% to 6.3% in 2022. The projection made by BNM is slightly lower compared to the Malaysia government's forecasted growth between 5.5% to 6.5% in the nation's gross domestic product ("GDP") for 2022[5]. Meanwhile, the Organization for Economic Cooperation and Development ("OECD") forecasts Malaysia to register a GDP growth of 6% for 2022 and 5.5% for 2023[6]. The central bank believes that the recovery for Malaysian economy is expected to expedite in year 2022. The propelling recovery is strengthened by various aspects inclusive of the growing external demand, introduction of more lenient countermeasures against the pandemic, reopening of borders and positive developments in Malaysia's labour market conditions. Nevertheless, the unfavourable risks to the country's economic prospects should not be neglected as the emergence of new variants, greater volatility in the financial markets, ongoing disruption in the global supply chain, gradual labour market recovery and geopolitical issues could disrupt the nation's economy recovery progress.

[3] *https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_834081.pdf*

[4] *https://www.theedgemarkets.com/article/bnm-sees-2022-gdp-growth-53-63-shade-below-official-projection#:~:text=KUALA%20LUMPUR%20(March%2030)%3A,(GDP)%20for%20the%20year.*

[5] *https://www.theedgemarkets.com/article/bnm-sees-2022-gdp-growth-53-63-shade-below-official-projection#:~:text=KUALA%20LUMPUR%20(March%2030)%3A,(GDP)%20for%20the%20year.*

[6] *https://www.theedgemarkets.com/article/oecd-forecasts-malaysia-economy-grow-6-2022#:~:text=%E2%80%9CIn%20full%2Dyear%20terms%2C,emergence%20of%20the%20Omicron%20variant.*

Management Discussion and Analysis

Additionally, the upliftment of containment measures backed by the increasing vaccination rate allow most of the economic activities resume to the pre-pandemic level contributing to the gradual improvement of Malaysia's labour market conditions. In accordance with the Malaysia's Economic Outlook 2022, the unemployment rate in Malaysia is predicted to drop to 4 percent and the total employment is envisaged to further increase by 2.3% in 2022[7]. In tandem with higher expectations on the global health performance and more countries' borders being opened gradually, including Malaysia's, more low-skilled foreign workers and expatriates are expected to flow into Malaysia corresponding to opening up of construction and main projects that were suspended ad interim throughout the pandemic.

The domestic outlook for Malaysia's services sector is particularly optimistic as this sector is forecasted to grow by 7% in 2022 as more and more economic and social activities are permitted to operate and re-opening of Malaysia's national borders in transitioning to the endemic phase of COVID-19[8]. In terms of the wholesale and retail trade sub-sector, it is predicted to expand by 8.7% in 2022, due to the swift participation in e-commerce and adaptation to digitalisation, specifically in the retail segment. Aside from the services sector, the manufacturing sector is also expected to grow by 4.7% in the year 2022, mainly contributed by the performance of both the export and domestic-oriented industries. Through positioning Malaysia as one of the key players in the global semiconductor trade, the manufacturing sector is anticipated to gain more momentum in its growth along with the rising demand for E&E products globally.

Moreover, the Malaysia Economic Outlook 2022 envisioned that the domestic demand and private consumption is to further inflate. The Malaysia government has placed high expectation on acquiring growth from most expenditure items, and public expenditure is expected to rebound strongly due to the hastening of large infrastructure projects. Improved employment prospects, higher disposable income, along with broad-based economic recovery are expected to support such increment in the private consumption. Elevating consumer confidence and promising wealth effect on the back of modest recovery of the stock market are also envisioned to encourage higher private consumption spending. Besides, the domestic demand is also expected to be driven up through the implementation of the Twelfth (12th) Malaysia Plan along with the expected expansion in private investment activities. The Malaysia's Consumer Price Index ("CPI") inflation rate for 2022 is forecasted at 2.1%, following better economic prospects and steady crude oil prices[9].

All in all, the outbreak of COVID-19 pandemic along with the intensifying geopolitical issues has induced considerable human suffering as well as major economic and supply chain disruptions. It has significantly impacted all industries and businesses including the paper packaging industry in terms of local and export sales, inventory and supply of paper board, logistic interruption, workforce and capacity utilisation, production volume, capital investment as well as the various fixed and variable costs to be incurred. The paper packaging and paper-based stationery industries hinge heavily on the performance of economic and relevant industries the Group is supplying to, not only in Malaysia but also regionally. On the other hand, the main raw materials – paper rolls are still relying heavily on the availability of paper supply worldwide along with the volatility price of paper rolls in the global market.

[7] *https://www.malaymail.com/news/malaysia/2021/10/29/economic-outlook-2022-report-unemployment-rate-expected-to-fall-to-4pc-next/2016958*

[8] *https://budget.mof.gov.my/pdf/2022/economy/economy-2022.pdf*

[9] *https://budget.mof.gov.my/pdf/2022/economy/Key-Data-Forecast.pdf*

Management Discussion and Analysis

With the imminent global recession to be unfolded in foreseeable future, the Group is expected to be affected by such developments, similar to majority of the businesses worldwide. Therefore, it is paramount for the Group to act prudently in the conduct of the businesses of the Group by preserving the sales, practicing prudent capital management and pursuing cost cutting measures while maintaining adequate and skilled workforce in order to ride through such challenging time. However, it poses challenges to the Group quantifying the exact financial impacts and the severity of such impacts that could affect the Group at this juncture in view of the uncertainties, instabilities and geopolitical issues, same hold true regarding the economic impacts of triple headwinds. Therefore, additional risk mitigation measures will be taken by the Management in the future to ride through this headwind shall the conditions worsen in future.

Beyond its cyclical impact on growth, the pandemic has fundamentally reshaped the economy and the way we conduct our businesses and daily affairs. Substantial volume of businesses has made the transition to widen their reach to the customers and greater community through the virtual realm utilising existing online e-commerce platform. In the medium term, it is also important for the Group to continue its strategy of not overly dependent on one industry group and continue to diversify its customer and industry bases in coming years as the business landscape and delivery mode (for example, opportunity present in the e-commerce scene) are expected to shift post COVID-19 pandemic and imminent recession. In order to sustain in the aftermath of COVID-19 pandemic and imminent recession, it is important for the Group to position itself as the green partner (as the voice of environment conservation growing by days), rather than just pure packaging material supplier, to provide value-added services to its customers.

Along with the blooming of environmental and sustainability concerns globally, consumers' and regulatory bodies' awareness on these issues and its potential impacts has seem to escalate throughout recent decades. Regulatory bodies are now imposing and devising restrictions to reduce non-biodegradable wastage and consumers are actively reducing their reliance on plastic packaging by seeking for other alternatives to battle against the environmental and sustainability issues. In pursuance of minimising disposable plastic waste within Malaysia, which could pose a long-lasting threat to the livelihood of its people if it is left unattended, the Malaysia government has implemented an initiative to prohibit the usage of disposable single-use plastic by year 2030. Such prohibition initiative may lead to potential positive prospects of paper packaging which has been seen as the most environment friendly packaging solution. Paper packaging materials can be easily reused and recycled as compared to other materials, such as metals and plastics. Therefore, paper packaging is amongst the most eco-friendly and economic forms of packaging. Demand for paper packaging materials is expected to be driven up in the forthcoming years in view of its potential to be the perfect substitute for plastic packaging materials.

[10] *https://www.malaymail.com/news/malaysia/2020/11/19/all-state-govts-back-implementation-of-no-plastic-bag-campaign-says-environ/1924319*

Management Discussion and Analysis

Being one of the leading paper packaging companies, we highly anticipate growth in the demand for paper packaging products, which is popularly used in the consumer products packaging as well as e-commerce product packaging following the rapid growth and convenience of online shopping and delivery-on-demand services in addition to the heightened consumers' awareness on environmental issues. The pandemic outbreak has also changed the shopping behaviour of consumers due to the preventive measures of social distancing and lockdown imposed. More consumers have shifted from making their purchases in brick-and-mortar stores to online e-commerce platforms. People would perceive that online shopping provides a safer environment and creates more conveniences rather than doing in-store purchasing. In line with the booming of e-commerce business in the recent years as well as the aspiration among a strengthening middle class to engage with global brands and shopping habits, it has facilitated the usage of alternative packaging options such as green packaging and corrugated packaging with the aim to preserve our environment through minimising the usage of plastics. Therefore, packaging producers must concentrate on tapping the potential growth in the emerging markets as well as in the developed economies.

In response to the above projected developments in the economic and market conditions, the Group is acting proactively and prudently to preserve its position as one of the market leaders in the corrugated boards and carton boxes manufacturing industry in Malaysia and is expecting to maintain reasonable performance as compared to comparable industry peers in Malaysia during the year as well as in years to come, with counter measures implemented in response to the triple headwinds. Nevertheless, the Board of Directors do maintain a cautious outlook for the Group's performance in the coming financial year 2022 as the business environment continue to be incredibly challenging following the health crisis, worsening geopolitical crisis, political instability and other uncertainties. The Group will continue its effort to align its business strategies, improve operational efficiency and product quality in navigating through the challenging and intense competition market environment.

DIVIDEND

A final single tier dividend of 3.25 sen per ordinary share (net of treasury shares) was distributed to the shareholders on 15 September 2020 in respect of the financial year ended 31 December 2020, amounting to approximately RM 2.410 million. Besides, a final single tier dividend of 2 sen per ordinary share (net of treasury share) in respect of the current financial year ended 31 December 2021 has been declared for payment on 20 May 2022 to shareholders registered in the Register of Members on 5 May 2022, amounting to approximately RM 1.483 million.

The Group adopts prudent and conservative approach toward its capital expenditure and working capital requirements, especially during the current challenging business environment. As such, capital expenditure and working capital financing requirements are sourced, firstly, by internally generated funds, supplemented by suitable debt and equity financings. As such, at present, the Group does not adopt a fixed dividend policy but to consider distribute excess profits generated after taking into consideration of the cash reserve requirements for black swan event, planned capital expenditures and working capital requirements in current and coming years.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Ornapaper Berhad ("Ornapaper" or "the Company") recognises and subscribes to the importance of the principles and practices (including intended outcomes) set out in the updated Malaysian Code on Corporate Governance ("MCCG") issued by Securities Commission which took effect from 28 April 2021. The Board is firmly committed that accountability and transparency at every level of the organisation is essential in safeguarding assets, enhancing shareholders' value and maintaining strong financial performance.

The Board is pleased to provide the following overview statement, which sets out the manner in which the Company has applied the 3 principles set out in the MCCG and the extent of compliance with principles of the MCCG advocated therein in accordance with Paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") that has been in place throughout the financial year ended 31 December 2021, unless specified otherwise.

The application of each practice set out in the MCCG during the financial year are disclosed in the Corporate Governance Report ("CG Report") prescribed by Bursa Securities and submitted together with this Annual Report in accordance with Paragraph 15.25 and Practice Note 9 of the MMLR. The CG Reports for the financial year under review is available for download from the Company's website at www.ornapaper.com as well via an announcement on the website of Bursa Securities.

The CG Overview Statement should be read in tandem with the CG Report to provide comprehensive disclosures of the application of each Principle and Practice to achieve the intended outcome set out in the MCCG.

Principle A – Board Leadership and Effectiveness

- **Board Roles and Responsibilities**

  The Board is responsible for the overall corporate governance of the Group, including its strategic plan, overall management and business performance, management of principal risk and controls, standard of conduct, sustainability management and critical business issues, decisions and leading the Group towards achieving its Vision and Mission. The Board comprises Directors who are entrepreneurs and experienced professionals in the fields of business management, legal, accountancy and taxation which is guided by the Board's approved Board Charter. The roles and responsibilities of the Board are set out in the Board Charter, which is published on the Company's website at www.ornapaper.com.

  In a nutshell, the Board is assuming the following, amongst other roles and responsibilities:-

  - Set the key values, corporate objectives, and ethos of the Group (including its subsidiaries);
  - Review and approve strategic plans for the Group (including its subsidiaries) and ensure that such strategic plans are consistent with corporate objectives and supports long-term value creation and includes strategies on economic, environmental and social consideration underpinning sustainability;
  - Oversee the conduct of the Group's (including its subsidiaries) business and evaluate whether the business is being properly managed;

Corporate Governance Overview Statement

- Review, challenge and decide on the Group's overall corporate strategy, budgets, plans and policies proposed by the Directors of the Company and its subsidiaries and Key Senior Management of the Group, and monitor on the implementation of such proposals;
- Together with the Directors of its subsidiaries and Key Senior Management of the Group, promote good corporate governance culture and practices within the Group which reinforces ethical, prudent and professional behaviour;
- Identify principal risks of the Group (including its subsidiaries) and ensuring the implementation of appropriate internal controls and mitigation measures by the Directors of the Company and its subsidiaries and Key Senior Management of the Group;
- Set the risk appetite within which the Board of the Company expects Management to operate and to ensure there is a sound risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Ensure adequate trainings are provided to the Board's members of the Company and its subsidiaries and Key Senior Management of the Group;
- Ensure all Directors of the Company and its subsidiaries are able to understand financial statements and form a view on the information presented;
- Review the policy and procedures for appointment and re-appointment of Director of the Company and its subsidiaries and appointment of member of Key Senior Management of the Group that such Director or member of Key Senior Management possess the required character, experience, integrity, competence and time to:
    - effectively and diligently discharge their responsibilities and duties and contribute to the proper governance of the Company and its subsidiaries, and
    - manage the Group's business activities and affairs in the best interests of its stakeholders;
- Ensure that succession planning of the future Directors of the Company and its subsidiaries and Key Senior Management of the Group are in place;
- Ensure formal and transparent remuneration policy and procedure is established to attract and retain directors of the Company and its subsidiaries and Key Senior Management of the Group and the remunerations of the directors of the Company and its subsidiaries and Key Senior Management of the Group are measured against their contributions, performance (including performance in relation sustainability management) and long term sustainability of the Group;
- Oversee the development and implementation of Corporate Disclosure Policy for the Group (including its subsidiaries) to enable effective communication with stakeholders and in compliance with relevant laws and regulations;
- Oversee the implementation of internal and external stakeholder engagement by the Company and its subsidiaries to ensure inputs are obtained from the stakeholders on the economic, environment and social matters and potential risks in relation to the businesses of the Group and the interests of the all affected stakeholders are taken care of;

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- Review the adequacy and integrity of the internal controls system and management information system (including information and communication system and systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines) of the Company and its subsidiaries, and that integrity of the Group's financial and non-financial reporting (including subsidiaries) is preserved for decision making and external compliance purposes;
- Ensure the integrity of the Group's financial and non-financial reporting (including subsidiaries) is preserved for decision making and external compliance purposes;
- Oversee the development and implementation of Sustainability Policy for the Group (including its subsidiaries) to manage economic, environment and social matters in relation to the businesses of the Group and to ensure that the strategic plan of the Company and its subsidiaries supports long term sustainability (including evaluate economic, environmental and social matters of the Company and its subsidiaries regularly and take appropriate action to ensure the directors and Senior Management stay abreast with and understand the sustainability issues relevant to the Company and its subsidiaries and its business, including climate-related risks and opportunities);
- Regular review the division of responsibilities among the Board, Board Committees, Chairman, Chief Executive Director ("CED") and authorities delegated to Management through CED;
- Ensure the Code of Conduct of the Company and its subsidiaries promote the core values of the Group established by the Board and ensure the implementation of appropriate internal control system to support, promote and ensure its compliance;
- Oversee the development and implementation of Whistleblowing Policy for the Group (including its subsidiaries) to enable genuine concerns are objectively investigated and addressed with corrective actions; and
- Review the adequacy and effectiveness of the Group's Anti-Bribery and Corruption Management ("ABCM") system including promoting appropriate anti-bribery and corruption culture within the Group.

The roles and responsibilities of the Board and the application of the MCCG's practice are disclosed in Practice 1.1 of the CG Report.

Aside from the responsibilities listed above, significant matters requiring deliberation and approval from the Board is clearly defined by the Board in the Board Charter as matters reserved for the Board for consideration and approval.

The Board is led by the Executive Chairman, a senior board member who was not involved in the day-to-day operations (except acting as authorised signatory for the bank accounts of the Group) and was able to command respect from the fellow Board members to ensure effectiveness of the Board. The Executive Chairman had resigned from his position on 22 December 2021 due to personal reason. A summary of the responsibilities of the Chairman is disclosed in Practice 1.2 of the CG Report.

On the other hand, the business operations of the Group were overseen by CED whose responsibilities are disclosed in Practice 1.3 of the CG Report.

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To ensure that there is a balance of power and authority within the Board, the position of the Executive Chairman and the CED is separated and there is a clear division of responsibility between the Executive Chairman and the CED. The Executive Chairman is responsible for the governance, orderly conduct and effectiveness of the Board while the CED is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board. A summary of the separation of the roles of Executive Chairman and CED is disclosed in Practice 1.3 of CG Report.

In compliance with MCCG, the Executive Chairman was not a member of the Audit Committee, Nomination Committee, Remuneration Committee and Board Risk Management Committee during the financial year under review to enhance the independence and oversight roles of the Chairman of the Board in leading the Board of the Company. Kindly refer to Practice 1.4 of CG Report for further details.

The Independent Non-Executive Directors play an important role in ensuring that the strategies proposed by the Management are fully deliberated and examined, to ensure that the interest of all stakeholders are given due considerations during the decision-making process.

The Board members, in carrying out their duties and responsibilities, are firmly committed to ensuring that the highest standards of corporate governance and corporate conduct are adhered to, in order for the Company to achieve strong financial performance for each financial year, and more importantly to deliver long-term and sustainable value to stakeholders.

To ensure the effective discharge of its functions and responsibilities, the Board delegates a reasonable level of the Board's authorities and discretion to the Executive Directors, representing the Management, as well as to formally constituted Board Committees.

The Board Committees (Audit Committee, Nomination Committee, Remuneration Committee and Board Risk Management Committee) are entrusted with specific responsibilities to oversee the Company's affairs, in accordance with their respective Terms of References or policy approved by the Board. At each relevant Board meeting, minutes of the Board Committee meetings are presented to the Board. The respective Chairman / Chairperson of the Board Committees will also report to the Board on key issues deliberated by the Board Committees.

In turn, the Board and Executive Directors provide guidance and oversight to the Management Committee ("MC") that comprises heads of department, who is responsible for day-to-day operational efficiency and effectiveness, compliance with relevant laws and regulations and in accordance with the procedures and authorities granted in the Group's operating procedures & Limit of Authority Matrix approved by the Executive Directors. The authorisation procedures for key processes are stated in the Group's policies and procedures.

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The Board is assisted by professional Chartered Secretaries in discharging duties efficiently and effectively. The details of the Company Secretaries are disclosed in Practice 1.5 of CG Report.

- **Board Charter**

In carrying out its duties, the Board is guided by a formal Board Charter approved by the Board. The Board Charter sets out the Board Structure (which includes Board Composition, appointment and re-election process, time commitments, tenure and independence of Independent Director), qualification, vacation of office and removal of Directors, roles and responsibilities (Board, Board Committees, Chairman, CED, Company Secretaries and matters reserved for the Board), and Board activities and processes (Board meetings, Directors' training, Directors' remuneration, Board and member assessment, access to independent professional advice, supply of information), stakeholder's engagement, conflict of interest, code of ethics and conduct of Directors and group governance's responsibility.

Further disclosures on the details of Board Charter are disclosed in Practice 2.1 of the CG Report.

The Board Charter is available for reference at "Corporate Info" section of the Company's website www.ornapaper.com. The Board Charter was last reviewed and updated on 30 December 2021.

- **Code of Conduct and Whistle Blowing Policy**

In ensuring the business sustainability, the Board is fully committed to the highest standard of integrity, transparency and accountability in the conduct of the Group's business and operations. The Code of Conduct was updated and approved by the Board on 30 December 2021 to govern the standards of ethics and good conduct expected for the Directors, Management and employees of the Group.

Additionally, the Group has in placed a formalised policy on The Prevention and Eradication of Sexual Harassment at Workplace with complaint procedures stated in the policy. This is to ensure that the Group is able to provide a working environment which is conducive, safe and free from sexual harassment. Furthermore, the employees are made aware of proper conduct through the list of "Misconduct in The Company" listed in the Employment Policy.

To further enhance the ethical value throughout the Group, formal Anti-Bribery and Corruption Framework had been put in place by the Board to effectively manage and mitigate risk of bribery and conflict of interest situation. Further disclosure pertaining to the Group's Code of Conduct is disclosed in Practice 3.1 of the CG Report.

To foster an environment where integrity and ethical behavior are maintained and any illegal or improper action and/or wrong doing in the Group, the Board established a Whistleblowing Policy to enable the employees and other interested party to confidentially reports any concerns related to matters covered by the Group's Code of Conduct, Anti-Bribery and Corruption Framework, legal issues and accounting or audit matters. Further disclosure pertaining to the Whistleblowing Policy is disclosed in Practice 3.2 of the CG Report.

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The Code of Conduct, Anti-Bribery and Corruption Framework and Whistleblowing Policy are available for download from "Corporate Governance" section of the "Investor Relations" tab of the Company's website at www.ornapaper.com.

- **Board Meetings**

To carry out its function and responsibilities, the Board meets quarterly to review its quarterly performances and discuss new strategies. Additional meeting will be called when necessary. During the financial year ended 31 December 2021, five (5) meetings have been held and attendance of each of the Directors is as follows: -

Names of Directors	Number of Meetings Attended
Ang Kwee Teng	5/5
Sai Chin Hock	4/5
Sai Han Siong	5/5
Tan Chin Hwee	5/5
Siow Kee Yen	5/5
Datuk Adillah binti Ahmad Nordin	5/5
Sai Ah Sai	5/5

The Chairman of the Board, on the advice of the Company Secretary, determined the agenda of the meetings of the Board during the financial year under review and ensure that sufficient time was allocated during the meeting proceedings so that each agenda items or issues brought up were discussed or deliberated in necessary depth before decisions were made.

Audit Committee meetings of the Company were not combined with the Board Meetings during the financial year under review and other directors and employees attended any particular Audit Committee meeting only at the Audit Committee's invitation in order for the Audit Committee to discharge its delegated oversight duties by the Board and such invitations were specific to relevant agenda item of the meeting.

All meetings of the Board are duly recorded in the Board minutes by the Company Secretaries who attended all the Board meetings of the Company. The Company Secretaries ensure that all Board meetings are properly convened, and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained. In the interval between Board meetings, for exceptional matters requiring urgent Board's decision, Board's approval is sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision to be made.

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- **Supply of Information**

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. All the Directors are notified of the Board meetings within stipulated time prior to the meetings date. Notice of each meeting and the agenda are circulated to all the Directors no later than five (5) working days before the scheduled Board Meetings. This is to ensure that the Directors are given sufficient time to obtain a comprehensive understanding of the issues to be deliberated upon at the meeting in order to arrive at an informed decision as well as to discharge their duties and responsibilities.

All the Directors have direct access to the Senior Management. During the Board meetings, Senior Management are invited to present and discuss on the quarterly financial report / non-financial information and market / industry development.

In addition, the Directors may seek independent professional advice at their own discretion made available at the Company's expense on specific issues to render their independent and professional views and advice to the Board.

The Directors also have access to the services of the Company Secretaries for advice who is responsible for ensuring that the Board's procedures are followed.

Please refer to Practice 1.6 of the CG Report for details of the Board's proceedings on meeting materials and supply of information.

- **Composition of the Board**

The Group is headed by an effective Board with right mixture of knowledge, expertise and diverse academic background to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

The appointment and re-appointment of Directors of the Company and its subsidiaries are governed by Policy and Procedure on Nomination and Appointment of Director and Senior Management and Re-Appointment of Director and Fit and Proper Policy approved by the Board. It is the duty of the Nomination Committee to ensure that the composition of the Board is refreshed periodically based on the results of the Board evaluation and performance and the tenure of each Director. The tenure of the Directors of the Company was evaluated by the Nomination Committee in April 2022 and the recommendations for the re-appointment of Directors for the forthcoming Annual General Meeting were made after the Nomination Committee and the Board were satisfied that the current board composition and the tenure of each director were able to fulfil the current and future needs of the Group and that performance and contribution of directors seek for re-appointment were satisfactorily to the proper governance and oversight responsibilities of the Board. Please refer to Practice 5.1 of the CG report for the detailed disclosure on review of Board composition and tenure of individual Directors and that re-appointment is based on satisfactory evaluation of the Director's performance and contribution to the Board.

The Board currently comprises of six (6) members of which two (2) are Executive Directors, one (1) Non-Independent and Non-Executive Director and three (3) are Independent Non-Executive Directors. The profiles of the Directors are set out in the Profile section of this Annual Report. With the present composition of the Board, the Company complies with Practice 5.2 of MCCG which requires that at least half of the Directors of the Board should be Independent Directors.

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- **Board Diversity**

  The Board recognises the importance of diversity in the boardroom and senior level management. The boardroom diversity (including gender diversity) is part of the criteria in proposing of the appointment of new director. The appointment of new Director and member of Key Senior Management or the re-appointment of Directors are governed by Policy and Procedure on Nomination and Appointment of Director and Senior Management and Re-Appointment of Director and the criteria for such appointment and re-appointment are fit and proper (governed by Fit and Proper Policy with requirement on probity, personal integrity, reputation, financial integrity, experience and competency, time and commitment (including directorship in public and private limited companies)), skilled and diverse backgrounds, requirements on Boardroom and Senior Management diversity, knowledge and skill on sustainability oversight and management and independence for independent director.

  It is the policy of the Board that active politician shall not be appointed as a member of the Board of the Company and its subsidiaries. At present, active politician was not appointed as a member of the Board of the Company and its subsidiaries. Please refer to Practice 5.5 of the CG Report on procedure and criteria for appointment of Director and member of Senior Management and re-appointment of Director and Practice 5.10 of the CG Report on the disclosure on the policy on board diversity per Policy and Procedure on Nomination and Appointment of Director and Senior Management and Re-Appointment of Director.

  Based on the Board Charter, the Board had set its sight to meet the requirement to have at least one (1) female representation on the Board of the Company. Presently, there is one (1) female Director on the Board of the Company, and the Company aims to continue in promoting the representation of women in the composition of the Board and senior level of management.

- **Appointment of Directors and Key Senior Management and Re-Appointment of Directors**

  Appointment of new Director to the Board and member of Key Senior Management are recommended by the Nomination Committee to the Board for consideration and approval. The processes and criteria (including conflict of interest check) for the nomination and appointment of Director and Key Senior Management are specified in the Policy and Procedure on Nomination and Appointment of Director and Senior Management and Re-Appointment of Director and Fit and Proper Policy. It is the policy established by the Board that recommendations from independent sources shall be sought (in addition to the recommendations from existing Directors and major shareholders) in relation to candidates for new directorship.

  In accordance with the MMLR and the Company's Constitution, at least one-third (1/3) of the Directors or the number nearest to one-third (1/3), shall retire by rotation at each Annual General Meeting and at least once every three (3) years. The Directors retiring from office shall be eligible for re-election by the shareholders.

  All Board members who are newly appointed are subject to retirement at the subsequent annual general meeting of the Company. All Directors (including the Chief Executive Director) will retire at regular intervals by rotation at least once every three (3) years and shall be eligible for re-election. The process and criteria for re-appointment of director is included in Policy and Procedure on Nomination and Appointment of Director and Key Senior Management and Re-Appointment of Director and Fit and Proper Policy.

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The recommendations of re-appointment of retiring directors during forthcoming Twentieth Annual General Meeting (20th AGM) was only made by the Nomination Committee to the Board and the Board for the shareholders of the Company upon satisfactory results of fit and proper and conflict of interest check, independence assessment (for Independent Directors) and performance evaluation of such Directors by the Nomination Committee. To facilitate the informed decision by the shareholders on the re-appointment of retiring directors during forthcoming 20th AGM, disclosures were made in the notes to the agendas of the general meeting in relation to interest, position or relationship of such Directors individually that might influence the independent judgement to be brought to the Board and might influence such Director to act in the best interests of the Group and that such recommendations of re-appointment are based on the satisfactory results of fit and proper and conflict of interest check, independence assessment (for Independent Directors) and performance evaluation of such directors performed.

Please refer to Practice 5.6 and 5.7 of CG Report for the details on the nomination and elect, appointment and re-appointment process of the Director and member of Key Senior Managements.

- **Performance Assessment and Evaluation of the Board, Board Committees and Individual Directors**

The Nomination Committee reviews the required mix of skills, competencies, experience and other qualities on an annual basis, including core competencies of individual Director which the Directors should bring to the Board. The Nomination Committee undertakes an annual assessment of the Independent Directors' independence and consider if they can continue to bring independent and objective judgment to Board deliberations. The Board had implemented a process carried out by the Nomination Committee annually for the assessment and feedback to the Board the effectiveness of the Board as a whole and the contribution of each individual Directors for discussion and acceptance and for further improvement.

On annual basis, the Company Secretary circulates to each Director the relevant assessment and review forms/questionnaires in relation to the Board and Board Committee assessments/evaluations with sufficient time for all the Directors to complete in advance of the meeting of the Nomination Committee and the Board in order for the Company Secretary to collate the assessments/evaluations results for the Nomination Committee to review and report to the Board.

During the financial year under review, the Board, through Nomination Committee, conducted the Board and Board Committee Evaluation, Directors' Self-Evaluation for individual Directors and the assessment on the effectiveness of Audit Committee and its composition through Audit Committee Members' Peer Performance Evaluation and Audit Committee Evaluation.

Based on the Board and Board Committee, Audit Committee, Audit Committee Members' Peer Performance Evaluation and Directors' Self-Evaluation for individual Directors conducted for the financial year 31 December 2021, the Nomination Committee and the Board were satisfied with the composition and competency of the present Board, the Board Committees and individual Directors. In particular, based on the above assessments performed on the Audit Committee and its members, the Board is of the opinion that the Audit Committee and its members had effectively discharged their duties in accordance with its terms of reference. The summary result of the assessment was presented by the Nomination Committee to the Board for review, acceptance and deliberation.

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Please refer to Practice 6.1 of the CG Report for the details on the performance evaluation of the Board, the Board Committees and self-assessment for individual Directors.

- **Independence of Independent Director**

In order for the Independent Directors to present the independent and objective judgement to the Board's for deliberation, and to ensure that conflict of interest or undue influence from interested parties is well taken care of, the Board is committed to ensure that the independence of the Independent Directors whom will be preserved via independent assessment by Nomination Committee prior to their appointment based on formal nomination and selection process with the results of the review are reported to the Board for consideration and decision. The assessment of the independence of the Independent Non-Executive Directors includes the use of "Annual Self-Assessment of The Independence of Independent Director Checklist" self-assessment form with prescribed criteria.

All Independent Non-Executive Directors are subject to independence assessment by the Nomination Committee's and to be recommended to the Board to form an opinion on the independency of the Independent Non-Executive Directors. In addition, written independence declaration which is consistent with the definition of Independent Director defined in Practice Note 13 and the MMLR for the individual Independent Directors were obtained annually. Based on the independence declaration obtained from Independent Director during the financial year under review, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors, and their ability to bring independent and objective judgement during board deliberations.

The tenure of an Independent Director, as stated in the Board Charter, shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, such Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. If the Board continues to retain the Independent Director after the nineth (9th) years, the Board should seek annual shareholders' approval through a two-tiers voting process.

As at the date of this Annual Report, both Mr. Siow Kee Yen and Datuk Adillah binti Ahmad Nordin, the Independent Non-Executive Directors had served on the Board for a cumulative term of more than nine (9) years. Based on the Independent Directors' self-assessment submitted to the Nomination Committee for review and recommendation and subsequent review and deliberation by the Board in April 2022, the Board concluded that Mr. Siow Kee Yen and Datuk Adillah binti Ahmad Nordin, remains objective and independent during the deliberations and decision making of the Board and Board Committees they are in. The length of their service on the Board did not interfere with their independent judgment and they continue to act in the best interest of the Group.

To remain as Independent Non-Executive Director, Mr. Siow Kee Yen and Datuk Adillah binti Ahmad Nordin will be subjected to two-tier voting in the forthcoming 20th AGM.

Please refer to Practice 5.3 of the CG Report for further details.

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- **Time Commitment**

  In order for the Board to operate effectively and efficiently, each Board members is expected to devote sufficient time and effort to discharge their individual responsibilities with reasonable due care, skills and diligence. To ensure that the time commitment from each Directors and to facilitate planning, the meeting dates for the Board and Board Committee meetings are scheduled during the Board Meeting held at the end of the financial year, with the date and any subsequent changes to the scheduled meeting date for the following Board or Board Committee Meetings confirmed during the Board Meeting.

  The Directors are required to notify the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

- **Directors and Key Senior Management Remuneration**

  The Board assumes the overall responsibility to establish and implement effective remuneration policy that serves to attract, retain and motivate the Directors and Key Senior Management in pursue of the medium to long-term objectives of the Group. The Board had put in place a Remuneration Policy for Directors and Senior Management for adoption by the Remuneration Committee and serves as a guidance when reviewing the proposed remuneration package of the members of the Board and Key Senior Management. Major components of the remuneration package for Executive Director, member of Key Senior Management and Non-Executive Director are specified in the Policy.

  The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the members of the Board and Key Senior Management. The Board as a whole determines the remuneration of the Directors and Key Senior Management. Individual Director is abstained from deliberation and approval of his/her own remuneration. Director who are shareholder and controlling shareholder with a nominee or connected Director on the Board will be abstained from voting at general meetings to approve the remunerations to be paid to such interested Director.

  Please refer to Practice 7.1 and 7.2 of CG Report for the details of Remuneration Policy for Directors and Senior Management and summary of details of terms of reference of Remuneration Committee.

  Please refer to Practice 8.1 of CG Report for the breakdowns of remuneration of individual Directors (including fees, salary, bonus, benefits in-kind and other emoluments) on named basis for the financial year ended 31 December 2021.

  Disclosure on named basis of the Key Senior Management's remuneration component in bands of RM50,000 is not adopted as the Board is of the opinion that the disclosure may jeopardize the personal security of the individual Senior Management and increase the risk of loss of key personnel if their remuneration packages are published publicly.

  Please refer to Practice 8.2 of CG Report for the explanation on the departure in relation to disclosure on named basis of the Key Senior Management's remuneration component in bands of RM50,000.

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- **Board Committees**

As part of its efforts to ensure the effective discharge of its duties, the Board delegates certain functions to certain Committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Board Risk Management Committee with each operating within its clearly define terms of reference. The Chairman of the various Committees reports to the Board on the outcome of the Committee meetings.

- **Audit Committee**

The composition and terms of reference of the Audit Committee, the number of meetings held, attendance, and activities carried out during the financial year are available in the Audit Committee Report as set out in this Annual Report.

- **Nomination Committee**

The Nomination Committee comprises of three (3) Independent Non-Executive Directors which is in compliance with the MMLR and chaired by Independent Non-Executive Director. During the financial year ended 31 December 2021 under review, the Nomination Committee met two (2) times and the members of the committee and attendance are as follow:

Name	Position	Number of Meetings Attended
Siow Kee Yen	(Chairman)	2/2
Datuk Adillah Binti Ahmad Nordin	(Member)	2/2
Tan Chin Hwee	(Member)	2/2

The Nomination Committee is guided by written terms of reference duly approved by the Board which states the authority, duties and responsibilities. A copy of the Terms of Reference of the Nomination Committee is available at “Investor Relation” section of the Company’s website at www.ornapaper.com.

The Nomination Committee meetings were held to review and assess, the performance of the Board, the Board Committees, individual Directors, independence assessment of Independent Directors and proposed nomination of new Director and Senior Management as well as re-appointment of Director. The results of the review and assessment were reported to the Board for review and deliberation.

During financial year ended 31 December 2021, there was no new directorship and new member of Senior Management appointed.

Please refer to Practice 5.1, 5.2, 5.3, 5.5, 5.6, 5.7, 5.8 and 6.1 of the CG Report for the details on the Nomination Committee and its activities.

- **Remuneration Committee**

The Remuneration Committee was formed to assist the Board in determining, developing and recommending an appropriate remuneration policy and remuneration package for Directors and Senior Management so as to attract, retain and motivate the Directors and Senior Management. The Remuneration Committee is guided by formal Terms of Reference. Further disclosure on the Remuneration Committee (and its activities) and Remuneration Policies and Procedure are disclosed in Practice 7.1 and 7.2 of the CG Report.

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The Remuneration Committee comprises three (3) Independent Non-Executive Directors as follow:-

Name	Position
Datuk Adillah Binti Ahmad Nordin	Chairperson
Siow Kee Yen	Member
Tan Chin Hwee	Member

The Remuneration Committee is guided by formal Terms of Reference approved by the Board which states the composition requirement, authority roles and responsibility of the committee. The terms of reference for the Remuneration Committee is available at "Investor Relations" section of the Company's website at www.ornapaper.com.

During the financial ended 31 December 2021, the Remuneration Committee met once and the attendance of individual committee members is as follow:-

Name	Number of Meetings Attended
Datuk Adillah Binti Ahmad Nordin	1/1
Siow Kee Yen	1/1
Tan Chin Hwee	1/1

The meeting was held to review on the remuneration package of Executive Directors, and Directors' fees for Non-Executive Directors and recommended to the Board and shareholders (if required) for approval.

- **Board Risk Management Committee**

The Board Risk Management Committee was formed to provide oversight, direction and counsel to the Group risk management process and to assist the Board in identifying, mitigating and monitoring critical risk highlighted by businesses units.

The Board Risk Management Committee comprises of three (3) Independent Non-Executive Directors, in compliance with the Step-Up practice recommended by MCCG as follows:

Name	Position
Tan Chin Hwee	Chairperson
Siow Kee Yen	Member
Datuk Adillah Binti Ahmad Nordin	Member

During the financial ended 31 December 2021, the Board Risk Management Committee met twice and the attendance of individual committee members is as follow:

Name	Number of Meetings Attended
Tan Chin Hwee	2/2
Siow Kee Yen	2/2
Datuk Adillah Binti Ahmad Nordin	2/2

The Board Risk Management Committee's Terms of Reference is published in "Corporate Governance" section of the "Investor Relations" tab of the Company website at www.ornapaper.com.

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Further disclosure on the risk management activities during the financial year can be found in Practice 10.1 and 10.2 of the CG Report and the Statement on Risk Management and Internal Control of this Annual Report.

- **Directors' Training**

As per the Board Charter, the Board is assigned with the responsibility to assess the training needs of the Directors (including the knowledge and skill sets required to perform its oversight role in relation to sustainability management) of its individual members and recommend to the Board of the Company of the relevant training programme to ensure the Directors of the Company have access to continuing education programme relevant to their discharge of fiduciary duties.

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors are mindful that they should continuously attend training in order to broaden their perspectives and to equip themselves with the necessary skills to carry out their roles effectively as Directors in discharging their responsibilities towards corporate governance, operational and regulatory issues. The training needs of the Directors, on the type of training to be attended, are identified during the Board, Board Committee performance evaluation and directors' self-evaluation carried out by the Nomination Committee.

During the financial year ended 31 December 2021, all members of the Board have attended training(s) that were organised by regulatory bodies or professional organizations. The trainings attended by individual Board member are shown in the following table:

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Sai Chin Hock	Updates on Malaysian Code of Corporate Governance 2021 (MCCG 2021)	NeedsBridge Advisory Sdn Bhd
Sai Ah Sai	Updates on Malaysian Code of Corporate Governance 2021 (MCCG 2021)	NeedsBridge Advisory Sdn Bhd
Sai Han Siong	Updates on Malaysian Code of Corporate Governance 2021 (MCCG 2021)	NeedsBridge Advisory Sdn Bhd
Ang Kwee Teng	Updates on Malaysian Code of Corporate Governance 2021 (MCCG 2021)	NeedsBridge Advisory Sdn Bhd
Siow Kee Yen	MIA Webinar Series: New Era for Transfer Pricing -Top 10 Questions Answered	Malaysian Institute of Accountants
	Learn to Develop, Build Upon and/or Appreciate the Importance of the Capital Statement in Tax Audits	Chartered Tax Institute of Malaysia
	Current Tax Issues on Interest Expense	Chartered Tax Institute of Malaysia
	MIA Webinar Series: Modified Auditor's Report	Malaysian Institute of Accountants
	Tax Agents under Section 153(3) of the Income Tax Act 1967	Chartered Tax Institute of Malaysia
	MIA Webinar Series: Impact on Auditor Reporting of COVID-19 and MCO Restrictions	Malaysian Institute of Accountants
	Workshop on The Decision to Litigate: Tax Appeals and Choice of Forum	Chartered Tax Institute of Malaysia
	Seminar Percukaian Kebangsaan 2021	Lembaga Dalam Hasil Negeri, Malaysia
	Updates on Malaysian Code of Corporate Governance 2021 (MCCG 2021)	NeedsBridge Advisory Sdn Bhd

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Datuk Adilah binti Ahmad Nordin	Updates on Malaysian Code of Corporate Governance 2021 (MCCG 2021)	NeedsBridge Advisory Sdn Bhd
Tan Chin Hwee	Practical Issues on the Beneficial Ownership Reporting of Shares	Institute of Approved Company Secretaries
	Secretarial Issues on Post-Incorporation Matters, Auditors, Directors, Shares and Beneficial Ownership Reporting	Institute of Approved Company Secretaries
	Assessing and Commenting on the Practice Notes & Directives Issued by Companies Commission of Malaysia	Institute of Approved Company Secretaries
	Updates on Annual Return, AGMS, Accounts and Audit in COVID Era	Institute of Approved Company Secretaries
	MIA Webinar Series: Capital Reduction & Members' Voluntary Winding Up	Malaysian Institute of Accountants
	Updates on Malaysian Code of Corporate Governance 2021 (MCCG 2021)	NeedsBridge Advisory Sdn Bhd

In addition to the attendance of training provided by external party, during the financial year, all Directors received regular briefing and update on new regulations and statutory requirements.

- **Sustainability Oversight and Management**

In order to promote sustainability of the Group's businesses, one of the business strategies adopted by the Board is to ensure the sustainability aspects of the businesses undertaken are well taken care of. The Group upheld the principle to maintain effective Corporate Social Responsibility practice continuously in order to contribute positively to the socio-economic development of the communities, to promote environmentally friendly business practices and to uphold good social practice.

One of the key responsibilities of the Board of the Company is to regularly evaluate economic, environmental, social and governance issues of the Group, to assume the ultimate responsibilities for and the oversight roles for the sustainability management on group wide basis. The sustainability management of the Group is governed by the Sustainability Policy established the Board. Formal governance structure, stakeholders' engagement and process to identify, assess and formulation and monitoring of responses to material sustainability issues are prescribed in such policy with the assessment results and responses are fed into risk management process of the Group for continuous monitoring. As an important communication with stakeholders of the Group, Sustainability Statement was published along with the Annual Report for the financial year under review.

One of the responsibilities of the Board of the Company is to evaluate the sustainability risks and opportunities regularly, including taking into consideration of the changes in the external business environment or the interests of the stakeholders. Periodic review, led by the Chief Executive Director and Executive Director who are the designated senior management personnel on the strategic sustainability management, on the sustainability matters (including climate change risks and opportunities) faced by the Group and corresponding strategies and responses formulated was performed with escalation mechanism put in place to report on the timely basis on sustainability matters and their corresponding strategies and responses as well as performances from the heads of departments to the Board as governance body of the Company. The review of the sustainability and stakeholders' engagement activities, sustainability strategies and responses and actual performances of responses to sustainability matters was performed by the Board Risk Management Committee and the Board during the financial year under review.

Please refer to the Practice 4.1, 4.2, 4.3, 4.4 and 4.5 of the CG Report and the Sustainability Statement for the governance structure and process employed as well as the identification, assessment, management and reporting of sustainability matters during the financial year under review.

Corporate Governance Overview Statement

Principle B – Effective Audit and Risk Management

The Audit Committee is also tasked to oversight the role on the effectiveness of audit and internal controls of the Group. The composition, activities carried out during the financial year under review, including the number of meetings held and attendance are disclosed in the Audit Committee Report set out in this Annual Report and Practice 9.1 to 9.5 of CG Report.

- **Relationship with External Auditors**

  The Group maintains a close and transparent relationship with the group's external auditor in seeking professional advice and ensuring compliance with the approved accounting standards, relevant rules and regulations and Group's policies and procedures. The roles and responsibilities of the Audit Committee in relation to the external auditors are prescribed in the Audit Committee's Terms of Reference.

  The engagement of external auditors is governed by the engagement letter with terms of engagement (which includes, among others, the scope of audit, the responsibilities of external auditors, confidentiality, independence and the proposed fees) reviewed by the Audit Committee and its recommendation to the Board.

  The Audit Committee met with the external auditors fourfold during the financial year under review (including two (2) private session without management's presence) to discuss on audit plans, audit findings, financial statements and other special matters that require the Audit Committee's attention. The Audit Committee also encourages free flow of information and views between Audit Committee and external auditor to allow external auditor to freely express their opinion without undue pressure.

  The oversight of the external auditors was enhanced by the conduct of performance evaluation of external auditors by the Audit Committee and subsequently reported to the Board. Additionally, through the Audit Plan and Audit Result submitted by the external auditors and written confirmation provided during the Audit Committee meetings, the external auditors of the Company confirmed on their independence and objectivity for the audit engagement for the financial year ended 31 December 2021 in accordance with the By-laws of the Malaysian Institute of Accountants.

  The summary of Audit Committees' activities and oversights of external and internal auditors during the financial year under review is available in Audit Committee Report set out in this Annual Report.

- **Uphold Integrity in Financial Reporting**

  The Board takes responsibility to present a balanced, clear and meaningful report on the Group's financial positions and business prospects to its shareholders, investors and the regulatory authorities via timely release of quarterly reports, annual reports and regular announcements on material business matters.

  The quarterly results and annual financial statements were reviewed by the Audit Committee and recommended to the Board for approval before releasing to the public, via Bursa Securities' website. The Audit Committee also reviewed the appropriateness of the Company's and Group's accounting policies and the changes to these policies as well as ensures the financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and applicable accounting standards.

  The Board, through the review by the Audit Committee and consultation with the Management and the external auditors, had presented fair and meaningful assessment of the Group's financial performance and position.

  A summary of the functions and duties of Audit Committee in the oversight of financial reporting for the financial year are available in the Audit Committee Report set out in this Annual Report.

Corporate Governance Overview Statement

- **Risk Management**

  The Board affirm its overall responsibility for maintaining a sound risk management and internal control system in pursuing the Company's objectives and have in place a formal Group Risk Management Framework. The details of the Group Risk Management Framework and risk management process are disclosed in Practice 10.1 and 10.2 of the CG Report and Statement on Risk Management and Internal Control of this Annual Report.

- **Internal Control and Internal Audit Function**

  The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. This includes ensuring the review of the adequacy and integrity of the system of internal control in managing the principal risks of the Group. The Group outsources its Internal Audit function to a qualified professional firm to assist the Audit Committee in reviewing the state of internal control of the Group and to highlight areas for management and operational improvements.

  The state of internal control system and Internal Audit function of the Group are explained in greater detail in Practice 11.1 and 11.2 of the CG Report and Statement on Risk Management and Internal Control of this Annual Report.

The Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the MMLR is set out in this Annual Report. The statements provide a further in depth in the Group's policies and activities undertaken to ensure the adequacy and effectiveness of governance, risk and control structures and processes.

Directors' Responsibility Statement

The Directors are required under the provisions of the Companies Act 2016 to prepare financial statements as at the end of each financial year in accordance with applicable approved accounting standards and which gives a true and fair view of the state of affairs of the Group and the Company and their financial results and cash flows for each financial year.

The Directors are of the view that the Group and the Company have adopted suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent, as well as ensured that all applicable accounting standards have been followed, and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company maintains proper accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors are also responsible for taking necessary steps to safeguard the assets of the Group, and to prevent and detect fraud as well as other irregularities.

Corporate Governance Overview Statement

Principle C – Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

- **Corporate Disclosure and Stakeholders Communication**

  The Company recognises the value of transparent, consistent and coherent communications with investment community consistent with commercial confidentiality and regulatory considerations. The Company aims to build a long-term relationships with shareholders and potential investors through appropriate channels with the Board and disclosure of information. The corporate disclosure process and mechanism is guided by a formal Corporate Disclosure Policy.

  The Board provides timely disclosure of all material information of the Group to shareholder through announcements made on Bursa Securities and with link on such announcement made available in the Company's website (www.ornapaper.com). The Board is observing all disclosure requirements as laid down in the MMLR in order to have all material events and information to be disseminated publicly and transparently on a timely basis to ensure a fair and equitable access by all stakeholders without selective disclosure of such information to specific individuals or groups.

  The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the MMLR.

  The content of the Corporate Disclosure Policy and channel of communications and processes used by the Company for Stakeholders communications are further discussed in Practice 12.1 of the CG Report.

- **Encourage Shareholder Participation at General Meetings**

  The Company's General Meetings serves as one of the key avenues of communication with its shareholders, which provides a useful forum for shareholders to engage directly with the Company's Directors. During the general meeting, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Company's Directors. The agenda of the meeting and its proposed resolutions are to be provided at least twenty-eight (28) days prior to the meeting to ensure sufficient time and information are provided to the shareholders prior to attending the general meeting. Please refer to Practice 13.1 of the CG Report on further disclosure on the distribution and content of the Notice of general meeting.

  The Company provides information to the shareholders on, amongst others, the Annual Report, details of the Annual General Meeting ("AGM"), their entitlement to attend the Annual General Meeting, the right to appoint a proxy as well as the qualifications of a proxy.

  To further promote participation of members through proxy(ies), the Company had amended its Constitution to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorized nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow any restriction on proxy's qualification.

Corporate Governance Overview Statement

Adequate time is given during the general meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. In order to facilitate and provide more meaningful response to question raise by shareholders, all Directors except the Non-Executive Non Independent Director had attended the 19th AGM. The external auditors were present at the 19th AGM virtually to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.

- **Poll Voting**

In compliance with the Paragraph 8.29A(1) of MMLR, The Company is required to ensure that any resolutions set out in the notice of general meetings is to be voted by poll. All resolutions put forth for shareholders' approval at the forthcoming 20th Annual General Meeting are to be voted by way of poll voting.

- **Leverage on Information Technology for General Meetings**

Amid COVID-19 pandemic and as part of the safety measure, the Group conducted its 19th Annual AGM in fully virtual platform on 11 June 2021. The virtual general meeting allows shareholders to exercise their right to participate, pose questions, and vote at the general meeting safely and remotely via Remote Participation and Voting ("RPV") facility, after successfully registered online (subject to verification and onboarding process of the RPV facility).

The 19th AGM was broadcast via RPV facility and conducted in a fully virtual basis where all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders participate in the meeting online. The poll administrator and RPV facility service were provided by reputable professional firm in Malaysia with extensive experiences in poll administering services and comprehensive RPV facility in terms of functionality and performance. The Administrative Guide for attending the 19th AGM was issued and published in the RPV facility so that the shareholders were guided on steps required from the shareholders before the date of general meeting and during the meeting. The shareholders were able to participate and interact with the Board actively in the general meeting via live streaming of general meeting proceeding on their devices and submission of their question via query box of the RPV facility to the Board of the Company during the meeting. Sufficient time was allocated for the shareholders to pose questions to the Board of the Company via RPV facility and all pertinent questions relevant to the agendas of the general meeting were answered by the Board of the Company via the live streaming broadcasted before poll voting started.

The key matters discussed during such meeting was uploaded to the "Annual General Meeting" section of the "Investor Relations" of the Company's website at www.ornapaper.com within 30 business days from the date of the general meeting held.

The details of the features and activities of the virtual general meeting and RPV facility are disclosed in Practice 13.3, 13.4 and 13.5 of CG Report while the explanation for departure of the practice in regards on the publication of minutes of the meeting within 30 business days after the conclusion of the general meeting is disclosed in Practice 13.6 of CG Report.

Corporate Governance Overview Statement

Key Focus Areas and Future Priorities

The key focus areas of the Board during the financial year were to preserve governance practices championed and approved by the Board during the challenging time of COVID-19 pandemic. It entailed prioritizing the safety and health of the employees of the Group, ensuring business and operation continuity, leveraging on virtual meeting technology for board meetings and general meeting held during the financial year under review and to continue update shareholders and interested stakeholders on the impact of the COVID-19 pandemic on the Group.

With the new measures of MCCG came effective from 28 April 2021 as well as revision of Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries by Securities Commission ("the Guidelines) during the financial year, the Board of the Company had taken necessary initiatives to understand the enhance corporate governance measures promoted by the revisions and to update the Board Charter and relevant board policies and procedures to be in line with, to the extent practical, the updated MCCG and the Guidelines. The enhanced corporate governance practices incorporated into board policies and procedures during the year were incorporation of fit and proper assessment for appointment and re-appointment of the Directors and members of Key Senior Management, formalisation of process of re-appointment of the retiring Directors (including fit and proper and conflict of interest check), two-tier voting for independent directs seeking for continuation in office for nine (9) years or more, incorporation of sustainability considerations in performance evaluation and review of remunerations of the Directors and members of Senior Management, further enhancement to the proceedings of virtual general meeting to ensure interactive session between the Board and the shareholders and extension of relevant policies and procedures on group wide basis.

It is the short term focus of the Board to ensure that the Chairman of the Board will not be participating in any of the Board Committees' meetings even by way of invitation, all directors attend general meeting and meeting minutes of the forthcoming 20th AGM to be published on the Company's website within 30 business days from the date of general meeting held.

In the medium to longer term, the Board is aiming to have more than one (1) female director on the Board and at least one (1) women representation at the Key Senior Management (shall such vacancy available at the Key Senior Management level).

Additional Disclosure Under MMLR

- **Utilisation of Proceeds**
  The Company did not implement any fund-raising exercise during the financial year ended 31 December 2021.

- **Employee Share Scheme**
  The Company did not establish any employee share scheme and there was no subsisting employee share scheme during the financial year ended 31 December 2021.

Corporate Governance Overview Statement

- **Audit and Non-audit Fees**
  The audit and non-audit fees incurred for services rendered by the external auditor and their affiliated firms and companies to the Company and its subsidiaries for the financial year ended 31 December 2020 are as follow:

	Company	Group	Details on Non-Audit Fees
Audit Fees (RM)	40,000	199,580	Nil
Non-Audit Fees (RM)	3,000	35,000	Tax computation and administration
	5,000	5,000	Review of Statement of Risk Management and Internal Control

- **Material Contracts**
  During the financial year, except for the recurrent related party transaction disclosed, there was no other material contracts and loans entered into by the Company or its subsidiaries involving interests of Directors, Chief Executive who is not a Director and major shareholders.

- **Recurrent Related Party Transactions of a Revenue or Trading Nature (RRPT)**
  The breakdown of the aggregate value of the RRPT of a revenue or trading nature during the financial year ended 31 December 2021 are as follow:

  Below are RRPT that with shareholders' mandate obtained in the last 19th Annual General Meeting:

Name of Related Parties	Interested Directors and Major Shareholders	Nature of RRPT	Aggregate Value of Transactions (RM)
Julie's Manufacturing Sdn. Bhd. ("**JM**")	Sai Chin Hock^, Sai Ah Sai# and Sai Han Siong*	Sales of corrugated carton boxes by Ornapaper Industry (M) Sdn. Bhd. ("**OISB**")	(9,449,198)
		Sales of stationery product by Quantum Rhythm Sdn. Bhd. ("**QRSB**")	(16,032)
STH Wire Industry (M) Sdn. Bhd. ("**STH**")	Sai Chin Hock^ and his son, Sai Seak Chyuan, are directors of STH	Sales of corrugated carton boxes by OISB	(65,722)
		Sales of stationery products by QRSB	(1,128)
		Purchase of stitching wire by Group	517,839
Johmewah Maju Paper Mill Sdn. Bhd. ("**JMPM**")	Sai Swee Seong@	Sales of waste paper by Ornapaper Industry (Batu Pahat) Sdn. Bhd. ("**OIBP**")	(349,779)
		Purchase of paper roll by Group	5,593,909

Corporate Governance Overview Statement

Fairway Review Sdn. Bhd. ("**FRSB**")	Sai Swee Seong@, Sai Han Siong* and Sai Ah Sai#	Factory rental incurred by QRSB	649,000
Uptrend Performer Sdn. Bhd. ("**UPSB**")	Sai Swee Seong@	Factory maintenance expenses and factory construction incurred by the Group	815,685
Perfect Food Manufacturing (M) Sdn. Bhd. ("**PFM**")	Sai Chin Hock^	Sales of corrugated carton boxes by OISB; and Sales of stationery product by QRSB	Nil

Notes:

^ *Sai Chin Hock is brother of Sai Ah Sai and is a Director and a Major Shareholder of ORNA. Sai Chin Hock is also a Director and deemed a substantial shareholder of PFM and JM, by virtue of his substantial shareholdings in Julie's Corporation Sdn. Bhd., the holding company of PFM and JM.*

Sai Ah Sai is elder brother of Sai Chin Hock and the father of Sai Han Siong and Sai Swee Seong. Sai Ah Sai is a Director and a Major Shareholder of ORNA. Sai Ah Sai is also a Director of JM, FRSB and Julie's Corporation Sdn. Bhd., the holding company of JM.

* *Sai Han Siong is the son of Sai Ah Sai, the nephew of Sai Chin Hock and the brother of Sai Swee Seong. Sai Hon Siong is a Director and a Major Shareholder of ORNA. Sai Han Siong is also a Director of JM and Julie's Corporation Sdn. Bhd., the holding company of JM., and deemed a substantial shareholder of JM, by virtue of his substantial shareholdings in Julie's Corporation Sdn. Bhd., the holding company of JM. Sai Han Siong is also a director and substantial shareholder of FRSB.*

@ *Sai Swee Seong is the son of Sai Ah Sai and elder brother of Sai Han Siong. Sai Swee Seong is a Director of FRSB, JMPM and UPSB respectively. He is also a substantial shareholder of FRSB and UPSB.*

> *Factory rented by QRSB comprises of office, production and warehouse located at No. 1, Jalan Perindustrian Bachang Baru 3, Kawasan Perindustrian Batu Berendam Fasa IV, Batu Berendam, 75350 Melaka for a tenancy period of 1 year commenced from 1 October 2020 and expiring on 30 September 2021 at a monthly rental of RM53,000.00.*

< *Maintenance job provides by UPSB is for upkeeping of offices and factories of ORNA Group.*

This statement is made in accordance with a resolution of the Board dated 14 April 2022.

Audit Committee Report

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee are as follows:-

Name	Designation	Position
Siow Kee Yen	Independent Non-Executive Director	Chairman
Datuk Adillah binti Ahmad Nordin	Independent Non-Executive Director	Member
Tan Chin Hwee	Independent Non-Executive Director	Member

The composition of the Audit Committee is in compliance with the paragraph 15.09 of the Main Market Listing Requirement ("MMLR") of the Bursa Malaysia Securities Berhad, where the Audit Committee consists of three (3) Independent Non-Executive Directors and the Audit Committee Chairman, Mr. Siow Kee Yen is a member of the Malaysian Institute of Accountants which fulfills the requirements under paragraph 15.09(1)(c)(i) and Paragraph 7.1 of Practice Note 13 of the MMLR. The Audit Committee meets the requirement under Step Up Practice 9.4 of the Malaysian Code on Corporate Governance ("MGGC") 2021 whereby the committee comprises solely of Independent Non-Executive Directors.

No alternate director has been appointed as a member of the Audit Committee.

In compliance with Practice 9.1 of the MCCG 2021, the Chairman of the Audit Committee is not the Chairman of the Board of Directors of the Company. The Chairman of the Board of Directors is not a member of the Audit Committee pursuant to Practice 1.4 of the MCCG 2021.

The profile of the members can be found on the Profile of the Directors set out in this Annual Report.

TERMS OF REFERENCE

The Terms of Reference of Audit Committee is published on the Company's website (www.ornapaper.com) under "Corporate Governance" section of "Investor Relations".

MEETINGS OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2021, there were a total of five (5) meetings held by the Audit Committee and details of the attendance of the Audit Committee members are as follows:-

Name	Number of Audit Committee Meetings Attended
Siow Kee Yen	5/5
Datuk Adillah binti Ahmad Nordin	5/5
Tan Chin Hwee	5/5

Notice and Agenda of the Audit Committee meetings were given to the Audit Committee members together with the minutes of the previous meeting and relevant meeting papers at least five (5) business days before the meetings. As such, the members had sufficient time to review all papers to enable them to discharge their duties and responsibilities diligently and effectively in compliance with the MMLR and its Terms of Reference.

Audit Committee Report

The Company Secretary is the Secretary of the Audit Committee and is responsible, together with the Chairman of Audit Committee, to issue and circulate the agenda, supported by relevant meeting papers prior to each meeting. The Company Secretary had attended all the meetings during the financial year.

The Accounts Manager and representatives from the Company's external and internal auditors were also invited to attend the meetings and present their reports, findings or required information and explanations for proper deliberation of the matters at hand during the meetings.

The Audit Committee reported to and updated the Board on significant issues and matters discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board Members for review and to seek clarification and confirmation from the Audit Committee Chairman where necessary.

SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING THE YEAR

The following is a summary of the works performed by the Audit Committee during the financial year ended 31 December 2021:-

a) Review the Quarterly Financial Reports

During the scheduled quarterly meetings, the Accounts Manager presented the draft unaudited quarterly financial statements including statement of financial position, statement of comprehensive income, statement of cash flow and notes to the accounts for the Audit Committee's review. The review focused on key financial results with comparative figures of the preceding quarter and the preceding year's corresponding quarter, with the reasons for the variances provided and discussed with the Management. Additionally, prospects of the Group provided by the Management with regards to the Group's performance for the coming quarter and year were also presented to the Audit Committee for discussion.

The results of the quarterly financial reports reviewed by the Audit Committee were then recommended to the Board for approval prior to announcement to Bursa Malaysia Securities Berhad.

b) Review the External Auditors' Scope of Work and Audit Plans for the Year

During the financial year, the external auditors presented the Audit Plan to the Audit Committee for review and comment prior to the commencement of the audit engagement to ensure the scope of audit is adequate and reasonable time was allowed for the audit to be carried out effectively and not under undue time pressure.

The Audit Plan presented by the external auditors covers the audit approach, areas of audit emphasis (including assessment on impact of COVID-19), group audit approach, COVID-19 considerations, considerations of works internal auditor, reporting and deliverables, management communication channels, engagement team, fraud consideration, responsibilities of the directors and management as well as the external auditors, independence declaration under ISA 300 : Planning an Audit of Financial Statements and By-Laws (On Professional Conduct and Ethics) by the Malaysia Institute of Accountants for the statutory audit and development in accounting standards for the financial year. The Audit Plan for the financial year was discussed during the meeting and clarifications was sought from the external auditors prior to approval of the said plan by the Audit Committee.

Audit Committee Report

During the same meeting, the proposed audit fees and non-audit fees were also presented by the external auditors for review by the Audit Committee, which was then recommended to the Board for approval.

c) Review the Audited Financial Statements and Audit Results with External Auditors

Prior to announcement of final quarterly unaudited financial statements, the audit results for the audit conducted on the financial statements of the Group were presented by the external auditors to the Audit Committee for review.

During the same meeting, expected opinion on the financial statements was sought from the external auditors. The report on the audit results provides the status of the group audit, significant accounting and auditing findings, results of assessment of impact of COVID-19, summary of uncorrected misstatements, internal control observations, status of group audits, independence declaration per By-Laws (on Professional Ethics, Conduct and Practice) of MIA and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, proposed audit fees, related party transactions and outstanding confirmation and information. In addition, confirmation was sought from external auditors by the Audit Committee that the expected audited profit after taxation for the financial year is expected to be not deviated by 10% or more from unaudited profit after taxation per final quarterly financial statements to be made by the Company for that period.

For the review of the audited statutory financial statements by the Audit Committee, the Report to Audit Committee which highlights the key audit matters, a summary of corrected and uncorrected misstatements, significant related parties transactions and balances, development in accounting standards, internal control observations, expected opinion on the audit of financial statements, going concern, results from the review of Statement on Risk Management and Internal Control and draft Annual Report was presented by the external auditors to the Audit Committee.

The audited financial statements of the Company and Group were recommended by the Audit Committee for the Board's approval and adoption after its review with the external auditors and the Management and was satisfied that the audit had been adequately planned and carried out in accordance with the approved auditing standards and the audited statutory financial statements have been prepared in full compliance with the applicable approved accounting standards and statutory requirements.

d) Conduct of Performance Evaluation and Independent Assessment on External Auditors

During the financial year under review, the Audit Committee conducted performance evaluation and independent assessment on external auditors via the External Auditors Evaluation Form with prescribed criteria per the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad such as, caliber of the firm, quality processes and performance, knowledge and skill sets of audit team as well as independence and objectivity, audit scope, audit planning and audit communication. In addition, during the meetings with the external auditors, the external auditors confirmed with the Audit Committee on their independence in relation to the audit works performed and their commitment to communicate to the Audit Committee on their independence status on ongoing manner. The Audit Committee have also reviewed the non-audit services provided by external auditors to the Group during the year in accordance with the independence requirements and was not aware of any non-audit services that have compromised their independence as external auditors of the Group and the Company.

Audit Committee Report

The Audit Committee was satisfied with the performance and independence of the external auditors and recommended to the Board on their re-appointment as auditors of the Company for the next financial year ended 31 December 2022.

e) Meeting with External Auditors Without the Presence of the Executive Directors and Management

The Audit Committee met twice with the external auditors on 22 April 2021 and 29 November 2021 without the presence of the Executive Directors and Management where they are given the opportunity to raise any concern or professional opinion and thus, to be able to exert its functions independently.

During the private session, the external auditors informed the Audit Committee that there was no major audit issue to be highlighted to the Audit Committee.

f) Review the Adequacy and Relevance of the Scope, Functions and Resources, Internal Audit Plan and Results from the Internal Audit Reviews with the Group's Internal Audit Function

During the financial year, the Audit Committee received internal audit reports presented by the outsourced internal audit function that contain the findings, priority rating, risks/implications, root causes, recommendations and agreed management action plans for the internal audits performed based on the approved internal audit plan. Aside from reporting on the audit findings, the status of implementation of the agreed management action plans for previous internal audit findings were also reported to the Audit Committee for its review.

During the same meetings, the progress of the approved internal audit plan was presented to the Audit Committee for their review and revision of the internal audit focus and scope, if deemed necessary by the Audit Committee based on the risk consideration. In addition, the outsourced internal audit function reported to the Audit Committee, through progress update report, the resources, experience, competency and continuous professional development of the outsourced internal audit function for its review on adequacy.

The oversight role of the Audit Committee on the outsourced internal audit function is available in the Statement of Risk Management and Internal Control set out in this Annual Report.

g) Conduct of Performance Evaluation on Outsourced Internal Audit Function

During the financial year under review, the Audit Committee conducted performance evaluation on the outsourced internal audit function via the Evaluation of Internal Audit Function Form with prescribed criteria per the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad such as, audit scope, audit planning, audit communication, audit performed based on the adoption of recognized internal audit framework, effectiveness of internal audit function, adequacy of resources and experience and competency of the head of internal audit function.

The Audit Committee was satisfied with the performance of the outsourced internal audit function and recommended to the Board for re-appointment of the outsourced internal audit function as internal auditors of the Company for the financial year ended 31 December 2021 and 31 December 2022.

Audit Committee Report

h) Review the Disclosure of Related Party Transactions and Conflict-of-Interest Situation

During the scheduled quarterly meetings, updates on the value of the individual Recurrent Related Party Transactions ("RRPT") transactions (from date of shareholders' mandate to the end of financial period) as compared to the approved value of transactions per the shareholders' mandate obtained in the previous general meeting were reported by the Accounts Manager to the Audit Committee for its review. This enabled the Audit Committee to take prompt action in resolving the matter in the event the RRPT is about to exceed or exceeded by 10% of the mandated amount.

Aside from the updates on RRPT, the Audit Committee was also informed on the related party transaction that was not required to be announced in accordance with Chapter 10.09(1) of the MMLR.

During the meeting, the Audit Committee noted that the RRPTs and related party transactions were on terms and not more favourable than those generally available to the public.

i) Review Latest Changes and Development in Regulatory, Statutory and Accounting Standards

During the Audit Committee meetings, the Audit Committee was kept informed of new and revised accounting standards through the disclosures in the quarterly report announcements and through briefings provided by the external auditors. In addition, briefings on the updates and changes to the MCCG 2021, the Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries, MMLR compliances as well as other legal and regulatory requirements were provided to the Audit Committee members and the Board members by professionals.

j) Review the Draft Circular to Shareholders on the Proposed Renewal of Existing Shareholders' Mandate for RRPTs of a Revenue or Trading Nature and Share Buy-Back Statement in relation to the Proposed Renewal of Authority for the Company to Purchase its Own Shares

Based on the review of the draft circulars and relevant procedures set out in the draft circular in relation to the proposed renewal of shareholders' mandate for RRPTs, the Audit Committee was of the opinion that the procedures were sufficient to ensure RRPT is entered into at arm's length and in accordance with the Company's normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public, and not the detriment of the minority shareholders of the Company.

On the other hand, the focus of the review by the Audit Committee on the draft circular on the share buy-back statement was in compliance with relevant laws and regulations.

k) Review of Statements and Reports Disclosed in Annual Report

The Audit Committee had reviewed the Corporate Governance Report, Corporate Governance Overview Statement, Audit Committee Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis, Sustainability Statement and other information required for disclosure (such as profile of Directors and Key Senior Management, Share Buy-Back Statement, RRPTs, etc.) as well as the audited financial statement of the Company to ensure compliance with MMLR, MCCG and other guidelines and forthwith recommended to the Board for approval and publication in the Company's Annual Report.

Audit Committee Report

l) Review of Sustainability Matters Assessment Result of the Group

The Audit Committee had reviewed the Sustainability Matter Follow Up and Control Report presented by the Management. The review conducted by the Audit Committee was on the management responses to the results of the sustainability assessment and sustainability activities undertaken or to be undertaken. The Audit Committee subsequently reported the results of review to the Board.

m) Others

- The proceedings of the Audit Committee meetings, significant issues and concerns discussed and where appropriate, recommendations were reported to the Board by the Audit Committee Chairman, with the minutes of the Audit Committee made available to all board members for review and to seek clarification and confirmation from Audit Committee Chairman if required.

- The Audit Committee had reviewed its term of reference and proposed the updates and changes in the term of reference to the Board for its review and approval.

- The Audit Committee had reviewed the proposed Conflict of Interest and Related Party Transaction Policy and recommendation on such policy was made to the Board for approval.

- The Audit Committee had reviewed the proposed updates and changes in the Code of Conduct, Whistleblowing Policy, Sustainability Policy, Policies and Procedures to Assess the Suitability and Independence of and the Provision of Non-Audit Service By External Auditors and recommendations on such updates and changes were made to the Board for approval.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm, namely Needsbridge Advisory Sdn. Bhd. The outsourced internal audit function reports directly to the Audit Committee and assists the Board and Audit Committee in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. The appointment and resignation of the internal audit function as well as the proposed audit fees are subject to review and approval by the Audit Committee for its reporting to the Board for ultimate approval.

The audit engagement of the outsourced internal audit function is governed by engagement letter and Internal Audit Charter approved by the Board during the financial year under review. Key terms of engagement include the purpose and scope of work, accountability, independence, responsibilities of each party, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. On the other hand, the Internal Audit Charter governs the internal audit function by specifying the purpose and mission of internal audit function, its roles, professionalism required (including adherence to The Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (hereinafter referred to as "Standards"), its authorities, the reporting structure, independence and objectivity required, its responsibilities, purpose of internal audit plan, reporting and monitoring and quality assurance and improvement programme.

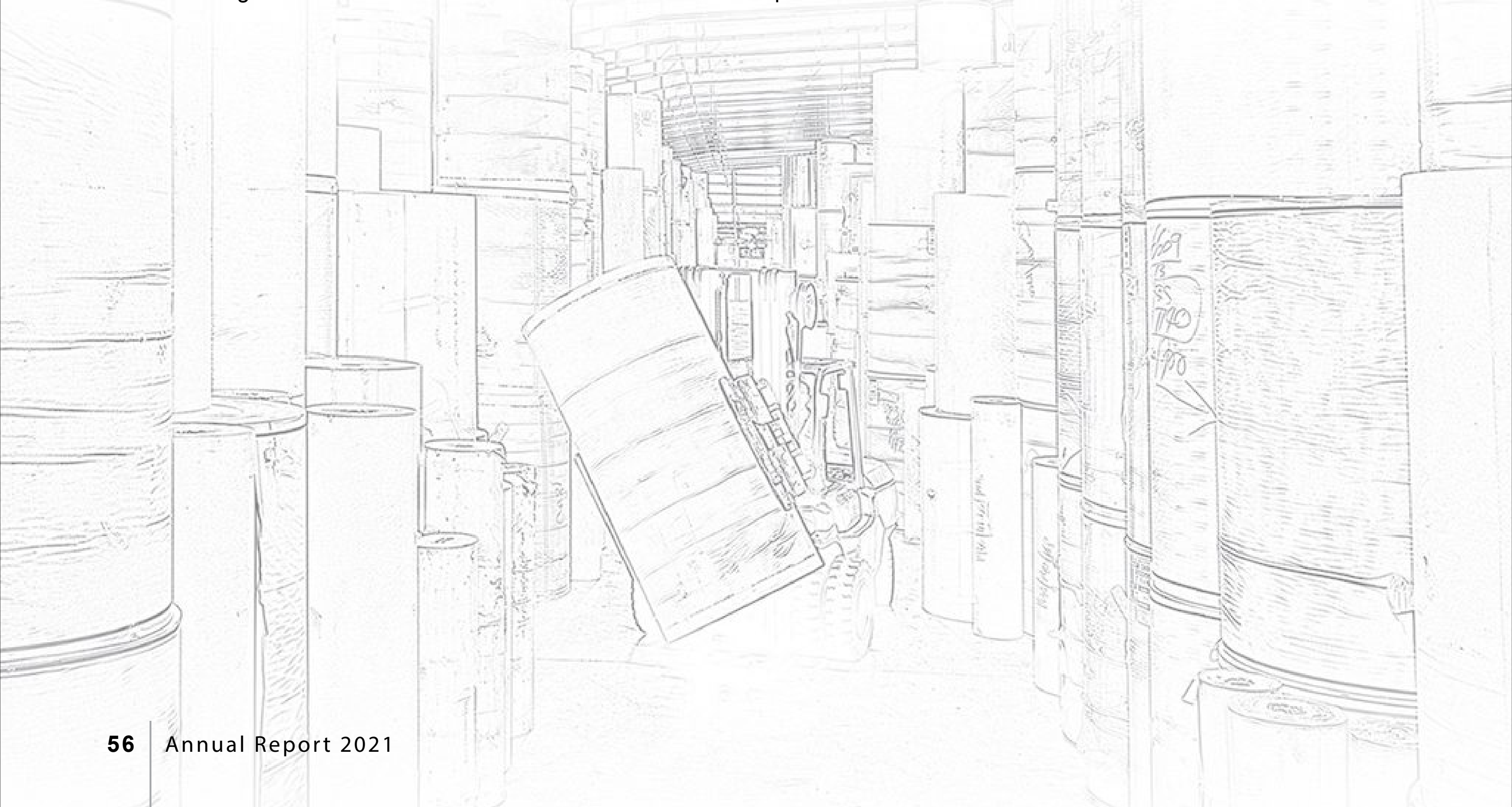
Audit Committee Report

The scope of review by the outsourced internal audit function is determined through the internal audit plan, determined and approved by the Audit Committee with feedbacks from Key Senior Management. In assisting the Audit Committee in discharging its oversight role for the internal audit function, the Audit Committee, through the reports tabled by the outsourced internal audit function, was able to assess and review the outsourced internal audit function in terms of the qualification, experience, exposure and continuous professional development of the outsourced internal audit function during the financial year under review. The performance, independence and objectivity of the internal audit function is formally evaluated by the Audit Committee through Evaluation for Internal Audit Function Form adapted from Corporate Governance Guide issued by Bursa Malaysia Berhad.

To preserve the independence and objectivity, the outsourced internal audit function is not permitted to act on behalf of Management, decide and implement management action plan, perform on-going internal control monitoring activities (except for follow up on progress of action plan implementation), authorize and execute transactions, prepare source documents on transactions, have custody of assets or act in any capacity equivalent to a member of the Management or the employee. The outsourced internal audit function is accorded unrestricted access to all functions, records, property, personnel, Audit Committee and other specialized services from within or outside the Group and necessary assistance of personnel in units of the Group where they perform audits.

During the financial year, the outsourced internal audit function conducted scheduled internal audits in accordance with the internal audit plan (and any amendments thereof) approved by the Audit Committee. Internal control deficiencies and areas for improvement identified together with the recommendations and management action plans were presented during the corresponding Audit Committee meetings. Follow up reviews were carried out to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee.

Further details on outsourced internal audit function and activities are disclosed in the Statement of Risk Management and Internal Control set out in this Annual Report.



Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Listing Requirements") in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines") and the Malaysian Code on Corporate Governance ("MCCG") 2021, the Board of Directors ("the Board") of Ornapaper Berhad ("Ornapaper" or "the Company") (collectively with its subsidiaries, "the Group") is pleased to present the statement on the state of the internal controls of the Group for the financial year under review and up to the date of approval of this statement. The scope of this Statement covers the Company and its subsidiaries.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group's mission, vision, core values, strategies and business objectives as well as to safeguard all its stakeholders' interests and protecting the Group's assets. The Board is to establish risk appetite of the Group based on the risk capacity, strategies, business objectives, internal and external business context, business nature and corporate lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment and governance framework that is embedded into the corporate culture, processes and strategies of the Group as well as to articulate and implement risk management and internal control system. The Board delegates the duty of identification, assessment and management of key business risks to Risk and Sustainability Management Committee ("RSMC") while the oversight roles are delegated to Board Risk Management Committee ("BRMC") (for risk management) and Audit Committee ("AC") (for internal controls) whereby BRMC and AC are assigned with the duty, vide Group Risk Management Framework and Terms of Reference respectively as approved by the Board, to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control systems of the Group respectively. Through BRMC and AC, the Board is kept informed on all significant risk events and control issues brought to the attention of BRMC and AC by the Management, the internal audit function and the external auditors, and the Board are provided with reasonable assurance that any impact arising from foreseeable future events or situations are properly managed and/or mitigated.

The system of internal controls covers inter-alia, control environment, risk assessment control activities, information and communication and monitoring activities. However, in view of the limitations that are inherent in any system of internal controls, the system of internal controls is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

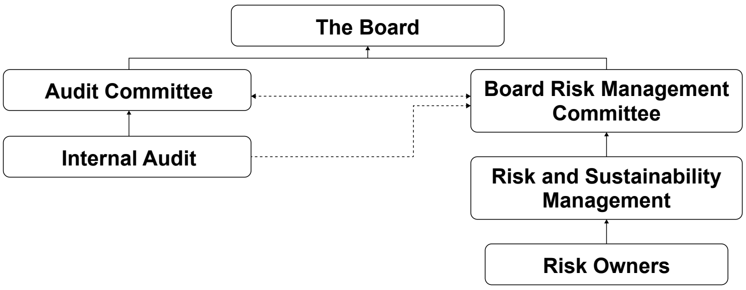
RISK MANAGEMENT

The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review. As the Second Line, the Board has put in place a structured Group Risk Management Framework that are integrated, as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group as well as to optimize key business opportunities available to the Group adequately and effectively. The duties for the identification, evaluation and management of the key business risks are delegated to RSMC, led by Chief Executive Director ("CED") with designated Executive Director as alternate Chairman, in the absence of CED.

Statement on Risk Management and Internal Control

The principles, practices and process of the Group Risk Management Framework established by the Board are, in material respect, guided by the ISO 31000:2018 – Risk Management- Principles and Guidelines

The Group Risk Management Framework established lays down the risk management's objectives and processes established by the Board with formalised governance structure of the risk management activities of the Group established as follow:



Clear roles and responsibilities of the Board, the BRMC, the AC, the RSMC, Risk Owners, Key Risk & Sustainability Officer ("KRSO") and Internal Audit Function are defined in the Group Risk Management Framework. In particular the composition, roles and responsibilities of the BRMC and RSMC are listed below.

The BRMC is made up of all Independent Non-Executive Directors and their roles and responsibilities are as follow:

(a) Review, assess, formulate and recommend risk management strategies, framework, policies, processes, tolerance and risk appetite limits to the Board;
(b) Monitoring of Group risk exposures to ensure implementation and compliance with approved risk policies and processes of the Group, and to ensure that significant risks identified are being responded to appropriately;
(c) Review status of management action in mitigating significant risks identified;
(d) Review and assess the adequacy and effectiveness of the risk management structure, approved risk policies, processes, and support system and to recommend such changes as may be deemed necessary to the Board;
(e) Review and assess the risks associated with all proposed strategic transactions of the Group and report the same to the Board for its deliberation of the transaction;
(f) Review the adequacy and effectiveness of the Group's system of internal controls established by the Management to manage key business risks through internal audit reports from internal audit function; and
(g) To coordinate with the Audit Committee on the activities of the internal audit function of the Group in relation to the review of risk management policy, structure, processes and activities and to ensure significant business risks are adequately managed by the Group.

The RSMC members are nominated employees from various divisions in the Group (i.e. Executive Directors and Head of Departments) and is chaired by CED and the Chief Operation Officer as the KRSO. The roles and Responsibilities of RSMC are as follow:

(a) Implement the risk management policy as approved by the Board;
(b) Implement the risk management process which includes the identification of key risks and devising appropriate action plan(s) in cases where existing controls are ineffective, inadequate or non-existence and communicate methodology to the Risk Owners;

Statement on Risk Management and Internal Control

(c) Ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc.), risk management policy & process and risk appetite/tolerance;
(d) Continuous review and update of the Key Risk Registers of the Group due to changes in internal business processes, business strategies or external environment and determination of management action plan, if required;
(e) Update the Board, through the BRMC, on changes to the Key Risk Registers on periodical basis (at least on annual basis) or when appropriate (due to significant change to the internal business processes, business strategies or external environment) and the course of action to be taken by management in managing the changes; and
(f) To perform risk identification and assessment in relation to major asset/business acquisition or divestment or business diversification or business consolidation through the use of prescribed form and to report the results of the assessment to the Board for strategic decision making.

In addition, the Risk Owners which is made up of the Operational Management team, i.e. Managers and Head of Department, is designated as Risk Owners within their area of expertise and delegated with following responsibilities:

(a) Manage the risks of the business processes under his/her control;
(b) Continuously identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, to establish and implement controls to reduce the likelihood and/or impact.
(c) To report to the RSMC of the emergence of new business risk or change in the existing business risks through the use of prescribed form on a timely manner and assist the RSMC.
(d) With the development of the management action plans and implement these action plans;
(e) Assist the RSMC with the half-yearly update of the changes in the Key Risks Register, management action plans and the status of these plans; and
(f) Ensure that staffs working under him/her understand the risk exposure of the relevant process under his/her duty and the importance of the related controls.

The Group Risk Management Framework specifies the structured risk management process, where each step of the risk and opportunity identification, evaluation, control identification, treatment and control activities are laid down for application by the RSMC and Risk Owners.

Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating that was established based on the risk appetite acceptable by the Board. Based on the risk management process stipulated in Group Risk Management Framework, Key Risk Registers are compiled by the KRSO and Risk Owners, with relevant key risks identified rated based on the approved risk rating before reported to RSMC. The Key Risk Registers are primarily used for the identification of high residual risks which is above the risk appetite of the Group that require the Management and the Board's immediate attention and risk response(s) as well as for future risk monitoring. Key Risk Registers of key operating subsidiaries and assessment of emerging risks and opportunities identified at strategic and operational level are subjected to review on annual basis or on more frequent basis if circumstances required and to report to the BRMC on the results of the review and assessment.

Statement on Risk Management and Internal Control

The Group has adopted risk-based quality management system and environmental management system in line with ISO 9001:2015 and ISO 14001:2015 certification for its key subsidiary. The risk and opportunity management process, consistent with Group Risk Management Framework approved by the Board, were executed by Quality Management Representatives ("QMR"), with respective Managers and Heads of Department (i.e. the Risk Owners) responsible for managing risks and opportunities identified. The risk assessment process involved risk identification, risk assessment and risk treatment in accordance with Group Risk Management Framework (including the rating of the likelihood and impact) and documented into Key Risk Registers (including the action plans to address such risk and/or opportunity). Risk identified includes sustainability matters identified during sustainability assessment process. The results of the risk and sustainability assessment process were fed to RSMC for its review and consolidation into the Group's Key Risk Profile. Any changes and emerging risk or opportunity and status of risk treatment are highlighted by QMR and/or Risk Owners during the management review meetings attended by Managers and Head of Departments, Executive Directors and RSMC.

As at the date of this report, RSMC had conducted assessment exercise whereby existing strategic, governance and operational risks (in addition to risk identified per ISO 9001:2015 and ISO 14001:2015 certification) of key operating subsidiaries were identified, assessed and treated based on the Group Risk Management Framework approved and incorporated into the Key Risk Registers at subsidiary level for on-going risks and opportunities monitoring and assessment. While risks identified in Key Risk Registers of key operating subsidiaries are to be monitored and managed by Risk Owners identified at subsidiary level, such risks were consolidated, based on nature of risks, into Consolidated Risk Registers at the Group level for monitoring and management by RSMC.

The Key Risk Registers consist of strategic, financial and operational risks and likelihood and impact rating used were compiled by RSMC and tabled to BRMC for its review and deliberation on its adequacy and effectiveness and for its reporting the results of review to the Board, which assumes the primary responsibility of the risk management of the Group.

At operational level, risk management is embedded into key processes at all levels of the organisation structure whereby respective Head of Departments, as Risk Owners, are delegated with the responsibility to continuously identify, evaluate and manage the existing and emerging risks, resulting from changes to the internal and external environment faced by the Group by formulating and implementing adequate and effective internal controls to minimize the risk exposure identified as First Line. Respective Heads of Department (i.e. Risk Owners) are responsible for managing the financial and operational risks under their responsibilities by way of maintaining effective internal controls and having measures to manage such financial and operational risks on a day-to-day basis. Emergence and changes of financial and operational risks identified are highlighted to the CED and Executive Director during the weekly Executive Committee ("EXCO") meetings or monthly management review meetings for discussion and formulation of effective internal control measures to manage such new, and changes to the financial and operational risks. The CED and Executive Director are kept up to date on the implementation and effectiveness of such controls and measures formulated during subsequent weekly EXCO meetings or monthly management review meetings. Critical or material risks highlighted by the Risk Owners are reported to BRMC and AC and the Board by the CED and Executive Director for deliberation and final decisions on the formulation and implementation of effective internal controls in managing such risks.

At strategic level, business strategies with risk considerations are formulated by the CED and Executive Director and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk tolerance. In addition, specific strategic and key operational risks are highlighted and deliberated by Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

Statement on Risk Management and Internal Control

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycles based on the internal audit plan approved by the Audit Committee.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

Please refer to the “Risk Factors Exposure” of the Management Discussion and Analysis for the significant risks faced by the Group and the mitigation plans implemented.

INTERNAL CONTROL SYSTEM

The key features of the Group’s internal control system are made up of five core components, i.e. Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities with principles representing the fundamental concepts associated with each component are as follows:

- **Board of Directors and Board Committees**

  The role, functions, composition, operations and processes of the Board are guided by formal Board Charter whereby roles and responsibilities of the Board, the Chairman of the Board and the Chief Executive Directors are specified to preserve the independence of the Board from the Management and to improve the oversight roles of the Board.

  Board Committees (i.e. Audit Committee, Remuneration Committee, Nomination Committee and Board Risk Management Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

  Meetings of the Board and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective while meetings for Remuneration Committee, Nomination Committee and Board Risk Management committee are carried out at least once year or whenever deemed necessary. Potential business strategies and business plan are proposed by the Executive Directors to the Board for its review and approval, after taking risk into consideration and responses thereto.

- **Organisation Structure and Accountability**

  Clearly defined and structured lines of reporting and responsibility for key business units/departments within the Group to ensure operational efficiency, accountability and effectiveness. Suitably qualified employees are employed so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly.

- **Human Resource Management**

  Job descriptions are established and annual performance appraisals are performed for key positions within the Group in order to ensure employees are equipped with relevant knowledge and skills required to perform their duties and responsibilities diligently and effectively.

Statement on Risk Management and Internal Control

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in the formalized Code of Conduct updated and approved by the Board on 30 December 2021. This formal code forms the foundation of integrity and ethical value for the Group.

  Integrity and ethical value expected from the employees are incorporated in the Employees Handbook whereby ethical behaviours expected with customers, suppliers, employees, society and environment are stated. Code of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in the Employees Handbook.

  To further enhance the ethical value throughout the Group, a formal Anti-Bribery and Corruption Framework had been put in place by the Management to prevent the risk of bribery and conflict of interest within the Group with Whistle-blowing Policy implemented for all stakeholders to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity.

  The Whistle-Blowing policy is established to facilitate the reporting of improper conduct and other offences to competent governance body with the Group, which is available for download from the "Corporate Governance" section under "Investor Relations" of the Company's website for ease of access.

- **Policies, Procedures and Authorisation Requirements**

  Policies and standard operating procedures for the Group are established to regulate key processes in compliance with International Organisation for Standardisation ("ISO") certifications. Authorisation requirement for key processes is clearly defined in the respective policies and procedures and limit of authority matrix.

- **Information and Communication**

  At the operational level, clear reporting lines are established across the Group and operational reports are prepared for dissemination to relevant personnel for effective communication of critical information throughout the Group and for timely decision making and execution in pursuit of business objectives. Matters that require the Board and the Key Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

  The Group puts in place effective and efficient information and communication infrastructures and communication channels i.e., computerised system, secured intranet, electronic mail system and modern telecommunication and processing system, so that operational data and external data can be collected and processed into relevant management information and communicated in a timely and secure manner to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders.

  Communication of policies and procedures of the Group are conducted via written format, information boards, electronic mail system and in-house trainings by respective risk or control owners.

Statement on Risk Management and Internal Control

- **Monitoring and Review**

  At the operational level, Communication of policies and procedures of the Group are conducted via written format, information boards, electronic mail system and in-house trainings by respective risk or control owners. Key performance indicators are formulated on a yearly basis to monitor the performance of key divisions and departments against targets established for prompt management action to be addressed for on unsatisfactory performance. During the monthly management review meetings, comprehensive operational reports are prepared by respective departments to assess the Group's performance against the performance indicators established and to discuss on current or new operational risks in order to formulate and implement mitigating controls.

  Aside from the monthly management review meetings, the Executive Directors are closely and directly involved in operations, with weekly EXCO meetings held with the EXCO team, which consists of Key Senior Management, for the review of operational information, including, production, marketing and financial information.

  Apart from the Weekly EXCO meetings and monthly management review meetings, Quality Management System (ISO 9001) are also held to review and discuss on the Group's performance in relation to the quality and environmental standards established and to identify areas for improvement in order to achieve the Group's quality and environmental objectives.

INTERNAL AUDIT FUNCTION

The Group relies on internal audit mechanisms to provide the Board and management with the required level of assurance that the governance, risk management and internal controls are adequate and effective in mitigating organisational risks so that the business objectives of the Group are achievable.

The Group's internal audit function is outsourced to an independent professional firm, namely, NeedsBridge Advisory Sdn Bhd, to provide the Board with the assurance required regarding the adequacy and effectiveness of the Group's risk management and internal control system. To uphold the professional firm's independence and objectivity, the outsourced internal audit function is reporting directly to the AC.

The internal audits are carried out, in material aspect, in accordance with the International Professional Practices Framework ("IPPF"), i.e. Mission, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors Global ("IIA Global"). The engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor ("CIA"), Certification in Risk Management Assurance ("CRMA") accredited by the IIA Global and a professional member of the Institute of Internal Auditors Malaysia ("IIAM"). As a CIA, the engagement director is required to declare the compliance of the Standards to Institute of Internal Auditors during his renewal as CIA. The audit engagement of the outsourced internal audit function is governed by the engagement letter with key terms include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The audit engagement is also governed by the Group's Internal Audit Charter,

Statement on Risk Management and Internal Control

which was established and approved by the Board on 29 November 2021. The appointment and resignation of the outsourced internal audit function as well as the proposed audit fees are subject to review by the AC and for its reporting to the Board for ultimate approval. During the financial year under review, the resources allocated to the fieldworks of the internal audit by the outsourced internal audit function were one (1) manager and assisted by at least one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the director.

To preserve the independence and objectivity, the outsourced internal audit function is not permitted to act on behalf of Management, decide and implement management action plan, perform on-going internal control monitoring activities (except for follow up on progress of action plan implementation), authorize and execute transactions, prepare source documents on transactions, have custody of assets or act in any capacity equivalent to a member of the Management or the employee.

Based on the formal evaluation of internal audit function and review of the works performed and deliverables (including but not limited to staff strength, qualification, experience, and continuous professional education) by the outsourced internal audit function during the financial year, the AC and the Board are satisfied:

- that the outsourced internal audit function is free from any relationships or conflicts of interest which could impair their objectivity and independence;
- with the scope of the outsourced internal audit function;
- that the outsourced internal audit function possesses relevant experience, knowledge, competency and authority to discharge its functions effectively, possesses sufficient resources and has unrestricted access to employees and information for the internal audit activities; and
- with the internal audit plan, results, processes, the results of the internal audit and/or investigation undertaken (if any).

Risk-based internal audit plan in respect of the financial year ended and 31 December 2021 were drafted by the outsourced internal audit function, after taking into consideration existing and emerging key business risks identified in the Key Risk Registers, the opinions of the Executive Directors and Key Senior Management and previous internal audits performed, and was reviewed and approved by the AC prior to execution. Each internal audit cycle within the internal audit plan is specific with regards to audit objective, key risks to be assessed and scope of the internal control review.

As Third Line, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk structures, control structures and control processes. The recommendations from the outsourced internal audit function are formulated for based on the root cause(s) of the internal audit observations. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls through the review of the samples selected based on sample sizes for the respective audit areas calculated was in accordance with our predetermined formulation, subject to the nature of testing and verification of the samples.

Statement on Risk Management and Internal Control

During the financial year ended 31 December 2021, in accordance with the internal audit plan (and any amendments thereof) approved by AC, the outsourced internal audit function has conducted reviews for Production Management for one (1) key manufacturing subsidiary in Malaysia as well as a review of the Company's governance practices, structures and related policies and procedures in relation to MMLR and MCCG 2021 (including anti-bribery and corruption and whistleblowing).

Upon the completion of the internal audit field works during the financial year, the internal audit reports were presented to AC during its scheduled meetings. During the presentation, the internal audit findings priority level, risk/potential implication, recommendations as well as management responses/action plans and person-in-charge together with date of implementation were presented and deliberated with AC. This is to enable the AC to form an opinion on the adequacy and/or effectiveness of the governance, risks and controls of the business processes under review. Progress follow ups were performed by the outsourced internal audit function on the management action plans that were not implemented in the previous internal audit fieldworks by way of verification via observation or through verification of sample provided by person-in-charge to substantiate the implementation of the management action plan. Together with the internal audit reports, the updates on the implementation progress of action plans formulated per previous internal audit reports via the Action Plan Progress Report were also presented to AC during the financial year for review and deliberation.

In addition, during the Audit Committee meeting, the outsourced internal audit function reported its staff strength, qualification and experience as well as continuous professional education for the Audit Committee's review.

In addition to the above, for the purpose of compliance with ISO 9001and ISO 14001 Quality and Environmental Management Systems, internal quality audits are carried out by in-house independent personnel and surveillance audit is conducted by an independent certification body to provide assurance on compliance with established ISO procedures.

The cost incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2021 was amounted to RM 31,176

ASSURANCE PROVIDED BY CHIEF EXECUTIVE DIRECTOR AND PERSON PRIMARILY RESPONSIBLE FOR THE MANAGEMENT OF THE FINANCIAL AFFAIRS

During the meeting of the Board, the performance of the Group was reviewed and deliberated, including, but not limited to, the adequacy and effectiveness of risk management and internal control system in relation to the business objectives of the Group.

In addition, in line with the Guidelines, the CED, being the highest-ranking executive in the Company and the person primarily responsible for the management of the financial affairs of the Company, had provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

Statement on Risk Management and Internal Control

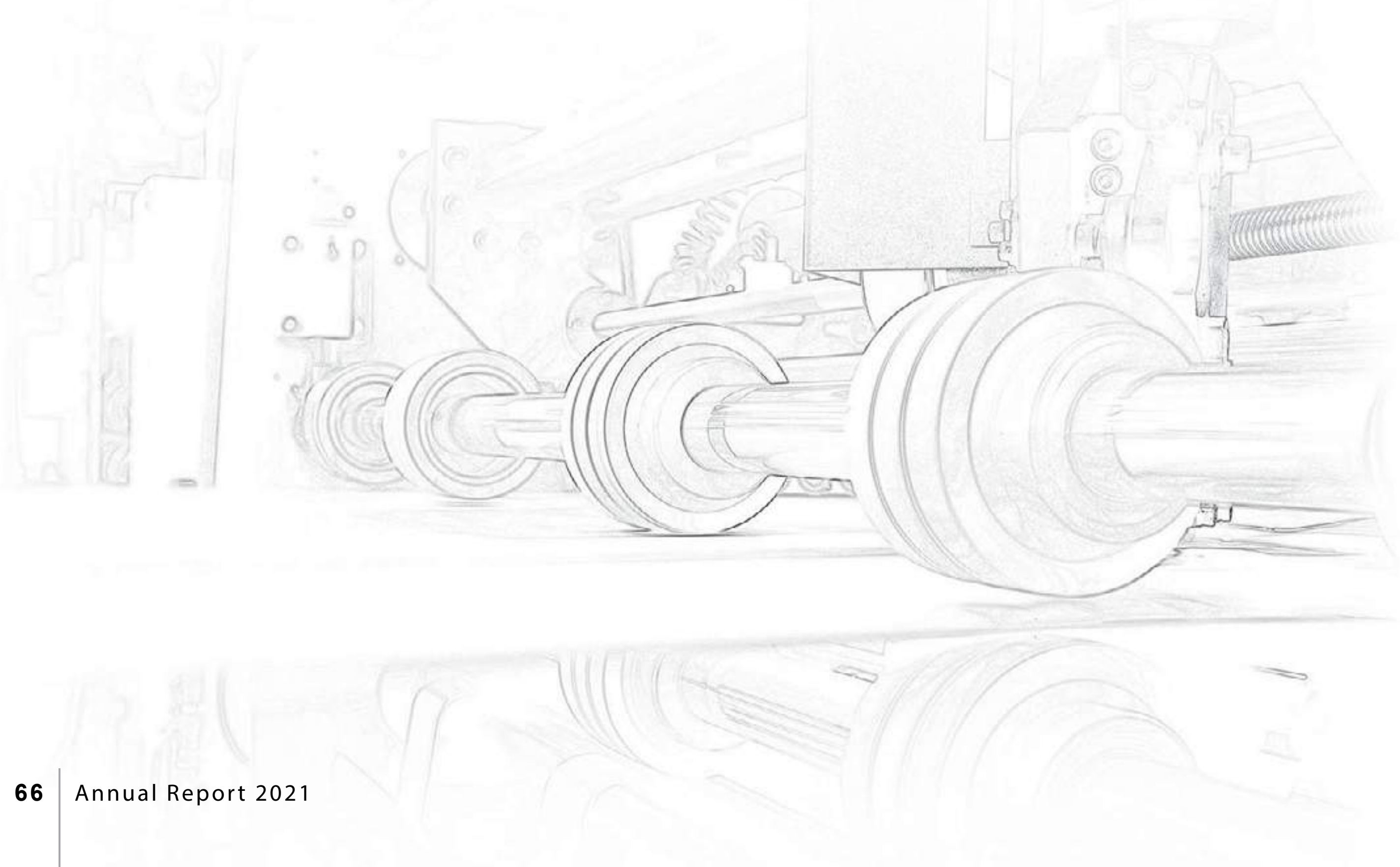
OPINION AND CONCLUSION

Based on the review of the risk management results and process, results of the internal audit activities, monitoring and review mechanism stipulated above, coupled with the written assurance provided by the CED, the Board is of the opinion that the risk management and internal control system are satisfactory based on the existing nature of business and scale of operations of the Group, to safeguard the interest of the stakeholders and the Group's assets, and there had been no material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control system in meeting the Group's business objectives.

The Board is committed towards maintaining an effective risk management and internal control system throughout the Group and strives for continuous improvements to further enhance the Group's risk management and internal control system. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to achieve its mission, vision, core values, strategies and business objectives.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Bursa Malaysia Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guides ("AAPG") 3 : Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants ("MIA"). Based on their review, nothing has come to their attention that causes them to believe that this Statement is neither prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines and Practice 10.1 and 10.2 of the MCCG 2021 to be set out, nor factually incorrect.



Sustainability Statement

Introduction

The Board of Directors ("the Board") of Ornapaper Berhad ("Ornapaper") acknowledges the significance of constantly developing and improving the business operations in a sustainable and responsible manner. The Board believes and remains committed to create sustainable value throughout its businesses' value chain by improving the core business principles and operations. The continuous creation of sustainable value shall drive the long-term business growth of Ornapaper Berhad and its subsidiaries ("the Group") as well as the establishment of mutually favourable relationships with its stakeholders.

Notwithstanding the swift changes in the business and operational landscapes, operating sustainably is an integral component of our business strategy that we continue to place great emphasis on in striving to attain the expectations of our customers while reducing the impact on environment and producing a better life for present and future generations. Continuous efforts are dedicated by the Board to embrace and enhance the sustainable business practices of the Group by having its businesses' operating strategies and corporate culture being formulated and continuously aligned to the Sustainable Development Goals ("SDGs") developed by the United Nations to promote prosperity while protecting the environment.

The Board is committed to continuously encourage good sustainability practices, update the sustainability progress and engage openly and responsively with the Group's stakeholders through transparent sustainability reporting that captures the economic, environmental and social aspects of its businesses' operations. The Board recognises that stakeholder engagement plays a vital role to ensure the businesses pursued by the Group is sustainable in the long term. Through this Sustainability Statement, the Board provides the stakeholders a better insight on its approach to create sustainable long-term value for stakeholders as well as the progress in meeting these commitments. The Group is committed to conduct the businesses and operations in an equitable and accountable manner across the value chain to ultimately achieve results that are sustainable for the future generations.

The Board always recognises that economic value is generated by maximising profits and shareholders' value while holding on a greater responsibility as a global citizen to create social value. Apart from strengthening the financial performances of the businesses the Group is operating in, the Board also recognises the importance of upholding great standards of business conducts in respect of governance, economic, environment and social aspects, which are vital for the Group to endure in this competitive, challenging and evolving business environment, in which to generate value for a wide array of stakeholders on long term sustainable manner. It is, therefore, the underlying value of the Group to achieve optimum equilibrium between short-term financial performance and its long-term business sustainability and value creation to meet corporate objectives and stakeholders' expectations.

The Group remain dedicated to creating value by transforming and evolving with the market, the industry as well as the nation. The Board is mindful of the Group's role as a responsible citizen in securing a sustainable future for the Group and the communities it lives in and interacts with in an era where social capitalism, climate change, ocean conservation, water scarcity, food insecurity, poverty and public health are ever-increasing global issues. The Board is dedicated towards embracing good sustainability practices, by continuously integrated such practices into the working environment and culture, business processes and strategy making process in order to develop sustainable businesses that bring constructive impact to the economy, environment and greater community. Hence, the Group is committed to be accountable and transparent in the sustainability performance.

Sustainability Statement

The global COVID-19 pandemic that has been on-going for two years has brought about significant disruption affecting almost all sectors of economies across the globe. Various stringent lockdown measures implemented by governments around the world to contain the spread of the pandemic have led to various levels of business suspension as well as uncertainty globally. Despite the challenging business environment faced by the Group, we endeavour to conduct the business operations according to pragmatic principles and sustainable practices with a long-term sustainability strategy that integrates economic, governance, environmental and social considerations. The Group remains steadfast and strives to adapt, innovate and take up the essential measures to navigate through this incredibly challenging time.

The Board of Ornapaper Group is pleased to present the Sustainability Statement for the financial year ended 31 December 2021. The Sustainability Statement demonstrates our commitment towards sustainability by developing and implementing key sustainability matters that are pertinent to the Group’s nature and business operations, with the ultimate aim of creating more values to our businesses, society and stakeholders. The Sustainability Statement is prepared pursuant to paragraph 6.1, 6.2 and 6.3 of Practice Note 9 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). In particular, the management of material sustainability matters is disclosed, in all material aspects, in accordance with Part III of Practice Note 9 of MMLR and Sustainability Reporting Guide issued by Bursa Securities (“the Guide”) on the content of the Sustainability Statement.

Scope of the Statement

The contents of this Sustainability Statement primarily include activities carried out during the financial year ended 31 December 2021 and up to the date of this Statement. This Statement covers the economic, environmental and social management and performance of the Group. The Board observes the sustainability requirements in which the Statement defines stakeholder engagement, materiality assessment, sustainability achievement, and the information of significant economic, environmental and social impacts for assessment of the Group’s management and performance.

The disclosures of the corporate governance practices and compliance with relevant provisions and requirements per MMLR and Malaysia Code on Corporate Governance 2021 are made in the Corporate Governance Report and Corporate Governance Overview Statement in the Annual Report.

The Group is involved in the manufacturing of paper based packaging and stationery products as well as provision of logistics services in Malaysia with the core operating segment, i.e. paper packaging business, encompasses activities related to manufacturing and sales of corrugated boards and carton boxes, contributed to more than 90% of the Group’s total revenue.

As at the date of this Statement, information disclosed in this Statement involves identification, management and reporting of sustainability matters and performances of five (5) of the subsidiaries, namely Ornapaper Industry (M) Sdn. Bhd. (“Ornapaper Melaka”), Ornapaper Industry (Batu Pahat) Sdn. Bhd. (“Ornapaper Batu Pahat”), Ornapaper Industry (Perak) Sdn. Bhd. (“Ornapaper Perak”), Ornapaper Industry (Johor) Sdn. Bhd. (“Ornapaper Johor”) and Tripack Packaging (M) Sdn. Bhd. (“Tripack”) (collectively referred to as "the Companies", individually referred to as "the Company"). These five (5) subsidiaries drive the paper packaging business segment of the Group which contributes the highest proportion of revenue to the Group throughout the years thus far.

Sustainability Statement

Sustainability Principles

As the highest governance body within the Group, the Board undertakes the ultimate accountability for the integration of sustainability in the Group, including sustainability-related strategy and performance. The Group is dedicated to promoting sustainability and continuously integrates it into its working environment, business processes and strategy making process. The Group remains committed to meeting the various stakeholders' interests while achieving its strategic objectives by upholding its accountability and transparency in its sustainability performance based on the following principles instilled by the Board:

- To observe and comply with all relevant legislation, regulations, recommended trade practice and code of practice applicable and relevant to the Group;

- To consider sustainability matters and integrate these considerations into the Group's business operations and when making and implementing business strategies;

- To manage sustainability matters in structured and systematic manner, whereby sustainability matters are embedded throughout the Group and to be documented, continuously assessed and managed with reporting to the Board on scheduled interval or as and when the materiality of the sustainability matters requires such reporting;

- To continuously promote, train and communicate with all employees, suppliers, business partners and other relevant stakeholders to ensure that they are aware of, and are committed to, implementing and measuring sustainability activities as part of the Group's or their strategy, taking into consideration economic, environment, social and governance aspects;

- To continuously engage and communicate with all relevant stakeholders for the identification, assessment and management of material sustainable issues; and

- To strive to improve the Group's sustainability performance over times.

Sustainability Policy

The Board remains committed to the 2030 Agenda for Sustainable Development adopted by the United Nation. The Sustainability Policy established by the Board is guided by the 17 Sustainable Development Goals ("SDGs"), otherwise known as the Global Goals, which are established by the United Nations to address a range of social and economic development issues, such as poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice.

The 17 SDGs are integrated, that is, they recognise that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. Such SDGs are a universal call for action to create a world that is comprehensively sustainable by 2030 to end poverty, improve health and education, reduce inequality and injustice as well as address the urgency of climate change. Albeit the global COVID-19 pandemic has unleashed an unprecedented crisis in health, economic and social which is threatening lives and livelihoods and making the achievement of the SDGs even more challenging, the Group in still dedicated to driving accountable and sustainable business practices throughout the organisation by striking a balance between managing the financial performance and contributing to the social and environmental impacts in ensuring high standards of governance practiced across the business operations.

Sustainability Statement

The Board had formalised a formal Sustainability Policy which strengthens the Group's commitment to achieving an equilibrium between being at the forefront of our industry and meeting the commercial expectations of our stakeholders. The said Sustainability Policy entails:

- Compliance of high ethical standards of suppliers;
- Compliance to Environmental and Occupational Safety and Health regulations;
- Adoption of "Green" principles in procurement and manufacturing practices;
- Reduction of material consumption through recycling of waste materials;
- Management and disposal of waste in a responsible manner;
- Commitment to ensure a safe and healthy working environment;
- Fair treatment of employees;
- Continuous training and development of employees;
- Contributions towards local authorities and communities;
- Uphold business excellence and continuity;
- Commitment to continual research & development in achieving product innovation and enhancing product quality;
- Continuous selection of potential supplier at significant location of operations to optimise cost and sales value;
- Customer profile diversification to ensure economic interest of all relevant stakeholders are preserved and prevention from loss of key customers; and
- Compliance to better practices under the Malaysian Code of Corporate Governance 2017 ("MCCG").

Sustainability Statement

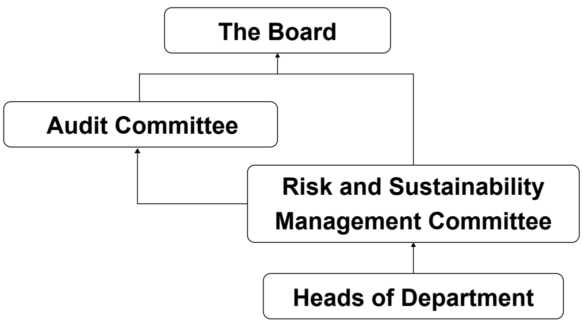
Governance Structure and Process

The Board affirms its overall responsibility for integration of the recommended sustainable economic, environment and social practices throughout the Group to ensure business strategies of the Group are developed with regard to the sustainability consideration, and to ensure sustainability performance are monitored for its accomplishment from time to time. The governance structure in relation to the Group's sustainability management is guided by the Guide and Toolkit: Governance issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group.

Good governance plays a key role for the Group to operate in an accountable and sustainable manner. The Group's commitment towards sustainable business practices is imputed throughout all levels of its organisation. At the leadership level, the Board, Executive Directors and Management recognise the importance of ensuring good sustainable economic, environment and social practices are comprehended and implemented by all levels of organisation.

To ensure such commitment of good sustainable economic, environment and social practices is embedded throughout the Group, the Board put in place formal structure to ensure accountability, oversight and review in the identification, management and reporting of sustainability matters and performance. Such formal structure is important to ensure that execution of the sustainability initiatives at all levels of organisation and business units are aligned with the Board's sustainability and business strategies with reporting at predetermined intervals so that the Group is able to response timely with the sustainability risks and opportunities applicable to the Group. The responsibilities for identification, management and reporting of sustainability matters and performance are delegated to the Risk and Sustainability Management Committee.

The Board has formalised the sustainability principles, policies and processes envisaged by the Board through the establishment of Sustainability Policy. Furthermore, formal governance structure, based on the existing geographical scope, scale and nature of the businesses the Group is pursuing, for the identification, management and reporting of sustainability matters and performance of the Group is established by the Board in the following manner:



The governance structure clearly defines the roles and responsibilities expected from the Board, the Audit Committee, Risk and Sustainability Management Committee, Heads of Department and Key Risk and Sustainability Officer. In a nutshell, the Board assumes the ultimate responsibility for sustainability management and performance within the Group while the Audit Committee is tasked with the duties to oversee the sustainability management and performance of the Group for reporting to the Board.

Sustainability Statement

The Risk and Sustainability Management Committee, chaired by the Chief Executive Director and Executive Director of Ornapaper Berhad, is tasked with the following duties: -

a. Implement the sustainability strategy and management policy as approved by the Board;

b. Lead and implement the process of sustainability matters identification, assessment and management and devising appropriate action plan in cases where sustainability issues are not adequately or effectively addressed and communicate proposed action plans to the Heads of Departments;

c. To conduct periodic review of all sustainability matters of the Group (at least on an annual basis) and determine the adequacy of the response and the current standing of the sustainability matters and to report the review results (including material sustainability matters) and recommendations to the Audit Committee;

d. To manage stakeholder engagement for input for assessment and communication of results of review and response;

e. To implement the material sustainability matters' indicator and the target and performance monitoring thereof and the preparation of sustainability disclosures as required by laws and/or rules, and to report to the Audit Committee for review;

f. To oversee the Heads of Departments in the implementation of systems of sustainability management;

g. To update the Audit Committee on changes to the material sustainability matters on periodical basis (at least on annual basis) respectively or when appropriate (due to change in external environment or internally) and the course of action to be taken by management in managing the changes; and

h. To ensure relevant sustainability trainings are provided for appropriate level of employees to cultivate a positive attitude and promote correct approach toward sustainability management.

As for the Heads of Department, their primary responsibilities are to manage sustainability matters of the business processes under his/her control and to assist the Risk and Sustainability Management Committee with the implementation of the process of sustainability matters identification, assessment, management and monitoring of all sustainability matters.

The sustainability matters management process is established by the Board in compliance with the Guide and Toolkit: Materiality Assessment issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group, taking into consideration the business strategies promoted by the Board, as follows: -

- Identification of the intended stakeholder groups and sub-groups, the focus areas expected by the intended stakeholders and engagement objective(s) for each stakeholder group through Stakeholders' Mapping and the establishment of the Stakeholders' Profile;

Sustainability Statement

- The stakeholders identified for each significant business segment and geographical segment are prioritised in relation to its influence over and dependence on the Group so that the Group can put in more effort on stakeholder groups that have higher influence and/or dependency and the concerns of such stakeholders will carry greater weight. The prioritisation of the stakeholders is conducted by the Risk and Sustainability Management Committee by using Stakeholder Prioritisation Matrix, whereby each stakeholder identified are assessed by using the influence and dependence criteria and rating scale established by the Board. The results of the prioritisation can be used to determine the level of engagement to be employed by the Group with respective stakeholders (from collaborate/ empower to keep informed) based on the perceived influence and dependency of each stakeholder group;

- Identification of sustainability matters for each significant business segment and geographical segment via internal sources (through internal documentations as well as information system and internal stakeholders' communication via engagement medium and direct communication) and from external sources (through internal documentations, management information system, trusted public domains, correspondences with external stakeholders and external stakeholders' communication via engagement medium and direct communication);

- Sustainability matters identified for each significant business segment and geographical segment via internal and external sources are refined, consolidated and categorised into respective sustainability categories determined by the Board and enlisted in the Sustainability Matters Listing, detailing the influential and dependent internal and external stakeholders;

- Sustainability matters categorised in the Sustainability Matters Listing are subjected to internal materiality assessment by the Risk and Sustainability Management Committee in order to prioritise the sustainability matters for assessment by internal and external stakeholders.

  Sustainability issues considered material if:
  - it has significant economic, environmental and social impacts on the Group from the organisation's point of view;
  - substantively influence the assessments and decisions of stakeholders from the stakeholders' point of view; and
  - it has significant economic, environmental and social impacts that affect the ability to meet the needs of the present and future generations.

  The internal materiality assessment entails the assessment by the Risk and Sustainability Management Committee based on the rating scale established by the Board on the significance of each sustainability matters on the revenue, cost, reputation, strategic and operational risk and business opportunities criteria.

  From internal and external stakeholders' perspective, stakeholders' assessment of the sustainability matters is based on the significance of such matters to influence on the assessment and decision by respective stakeholders. The stakeholders' assessment of the sustainability matters is obtained during stakeholders' engagement, either through direct communication by Risk and Sustainability Management Committee or Heads of Departments, via the rating system established by the Board.

- Subsequent to the assessment process, sustainable matters identified above are subjected to risk management policy and process established by the Board for the assessment and management of the risk and opportunities identified.

Sustainability Statement

In the context of the sustainability matters management, the current standing of sustainability matters is assessed for its adequacy and effectiveness by the Risk and Sustainability Management Committee and to formulate management response (if existing controls are inadequate or ineffective) to mitigate the sustainability risk or optimise the sustainability opportunities, in line with the risk appetite and business strategies established by the Board. Please refer to Statement on Risk Management and Internal Control on the risk management system employed by the Group in the identification, management and monitoring of business risks.

- For the management of material sustainability matters, the Risk and Sustainability Management Committee to develop position and response with respect to each material sustainability matters in the following manners:
  - developing policies and procedures;
  - implementing various initiatives, measures or action plans;
  - to comply with applicable laws and regulations;
  - setting indicators, goals, targets and timeframe in line with the strategic objectives; and
  - implementing new, or changing existing systems, to capture, report, analyse, and manage data requirements.

The Risk and Sustainability Management Committee to monitor the current standing (including but not limited to, indicators, target and actual performance) and responses of the material sustainability matters and actual performance and to report to the Audit Committee on yearly basis for review and for their recommendation to the Board for review and approval.

Stakeholders' Engagement

The Board recognises and admits that contribution and support of the internal and external stakeholders are utmost important for realisation of the Group's missions and long-term business sustainability and excellence. Therefore, a stakeholder-driven approach to sustainability serves as a foundation in developing our sustainability strategy and reporting. It is vital for us to maintain a good degree of communication, understanding and relationship with stakeholders through multiple communication platforms, continuous dialogue and sharing of information with the stakeholders to ensure the success and long-term growth of our businesses.

The Group recognises and values each of the employees, customers, as well as other stakeholders, and believes by understanding their interests and needs, it fosters lasting and mutually beneficial relationships that enhances the morale, reputation and business performances while delivering sustainable value to the stakeholders. By establishing effective and transparent lines of communication with the stakeholders, the Group aims to address their concerns in a collaborative manner that meets both the stakeholders' interests and needs as well as the Group's vision for sustainable growth.

It is on this basis that the Board is pursuing the sustainable strategy of continuous engagement with internal and external stakeholders who is dependent on and/or influenced by the activities undertaken by the Group and to ensure that such engagements are to include all internal and external stakeholders across the value chain and to respond proactively, via formal and informal channels, to the concerns and views of respective stakeholder groups. By actively engaging with all stakeholders, the Board is able to identify risks and opportunities in the way the businesses of the Group are carried out. During such engagement, the Group is able to validate the sustainable matters identified by the Management of the Group.

Sustainability Statement

During the financial year under review and up to the date of this Statement, with regard to the sustainability assessment, management and monitoring process, the Risk and Sustainability Management Committee relied on the informal channels (such as, meetings and face-to-face communication) employed by the Heads of Department and Executive Directors, supported by formal channels of communication (such as, employees' performance appraisal) to engage with the stakeholders.

The Board acknowledges that the stakeholder engagement engaged by the Risk and Sustainability Management Committee can be further enhanced by employing preferred level of engagement per stakeholders' profile at the preferred frequency as determined by the Board so that key topics and concerns of respective stakeholder groups are communicated timely and reliably to the correct governance body of the Group to respond to such topics and concerns raised. The Group's stakeholder engagement process is guided by the Guide and Toolkit: Stakeholder Engagement issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group.

For Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack with sustainability assessment performed, the Board had determined that, through stakeholder mapping and profiling exercise conducted by the Risk and Sustainability Management Committee and Heads of Department and reported to them subsequently, the following stakeholders are dependent on and have influence over Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack:

Stakeholder Group	Engagement Objective(s)	Preferred Engagement Method(s)	Frequency of Engagement
Employees	• To ensure fair engagement of salary • To establish career pathway for workforce at all levels • To have a safe and healthy working environment • To strike for work life balance	• Performance appraisal • Employee's self-evaluation • Memorandum • Electronic mail system • Meetings • Employees' dialogue	• Annually • Ongoing
Board of Directors	• To ensure business strategy take into consideration of sustainable practices • To convey accurate financial and non-financial information for decision making • To comply with good corporate governance • To ensure cyber security and continuous safety of organization data and assets (including suppliers and customers)	• Committee meetings • Board of Directors meeting	• Annually • Ongoing
Management	• To ensure sustainable of human resources in pursuing of company's goals	• Meetings • Memorandum • Electronic mail system	• Annually • Quarterly • Monthly • Ongoing
Financial Institutions	• To demonstrate financial sustainability • To understand and comply with laws	• Annual report • Public announcements • Meetings	• Annually • Ongoing

Sustainability Statement

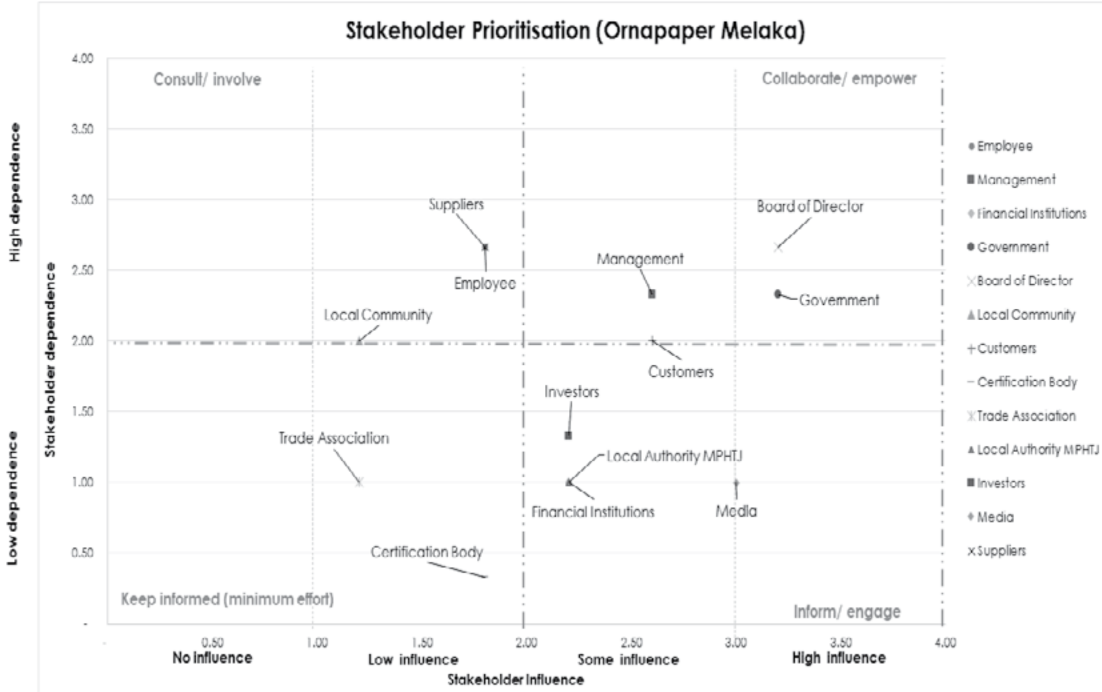
Stakeholder Group	Engagement Objective(s)	Preferred Engagement Method(s)	Frequency of Engagement
Government	• To ensure full compliance with all relevant laws and regulations	• Official submission • Official letter • Public dialogue involving government officials • Public announcements • Telephone conversation • Face-to-face meetings • Electronic mail system • Periodical audit	• Ongoing
Local Authority	• To ensure full compliance with relevant laws and regulations	• Official submission • Official letter • Public dialogue • Public announcements • Telephone conversation • Face-to-face meetings • Electronic mail system • Periodical audit	• Ongoing
Customers	• To improve customer's satisfaction • To meet potential customer's requirements • To ensure sufficient and healthy manpower support • To sustain good product quality even during lockdown/ conditional lockdown	• Face-to-face meetings • Electronic mail system • Telephone conversation • Customer's audits • Letter of complaint • Official letter • SCAR	• Ongoing
Suppliers	• To ensure all materials are RoHS compliance/ environmental friendly • To strive for reasonable price materials and services at acceptable quality, consistent and on-time delivery • To ensure safety and health during loading and unloading process and delivery journey • To ensure product quality and safety • To ensure no discruption in supply of materials	• Supplier's evaluation and appraisal • Meetings • Conflict of Interest Policy • Code of Conduct • Electronic mail system • Telephone conversation • Official letter/ memorandum • Supplier audit	• Ongoing

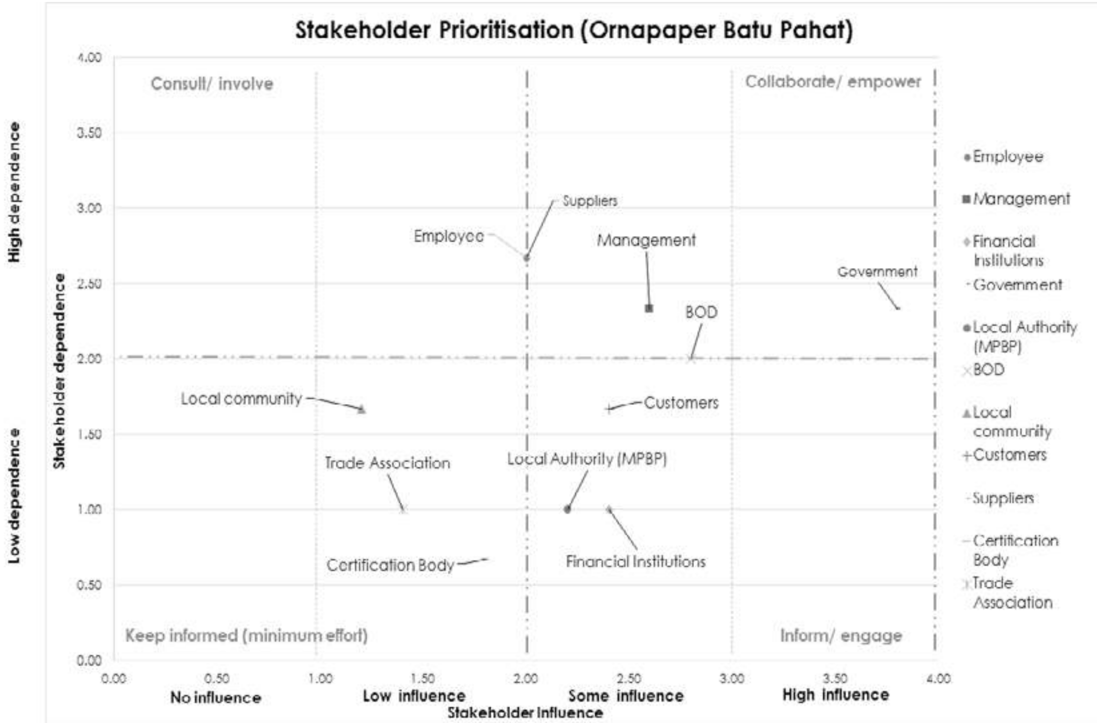
Sustainability Statement

Stakeholder Group	Engagement Objective(s)	Preferred Engagement Method(s)	Frequency of Engagement
Investors	• To demonstrate financial sustainability	• Annual report • Annual general meeting • Shareholders' communication • Press release and public announcements	• Annually • Quarterly • Ongoing
Certification Body	• To ensure compliance with ISO 9001: 2015 and 14001: 2015 standard	• Audit • Electronic mail system • Telephone conversation • Reports	• Ongoing
Local community	• To ensure pollution and social ills free community	• Corporate social responsibility programme • Face-to-face meetings • Press release • Official letters • Electronic mail system • Telephone conversation	• Ongoing
Media	• To minimize negative reporting and protect company image • To ensure reporting accuracy	• Press release • Telephone conversation	• Ongoing
Trade Association	• To seek for protection of employer's interests and opportunities in business trade • Sharing of industrial update	• Meetings • Forums	• Ongoing

Subsequent to the stakeholder groups identification with respective engagement methods proposed, stakeholders prioritisation exercise was conducted for Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack to rank respective stakeholder groups' influence over and/or dependence on Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack based on influence over and dependence rating criteria and scale approved by the Board. The results of the stakeholders prioritisation exercise for Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack are tabulated in the following Stakeholder Prioritisation Matrix with recommended level of engagement for respective quadrums:

Sustainability Statement





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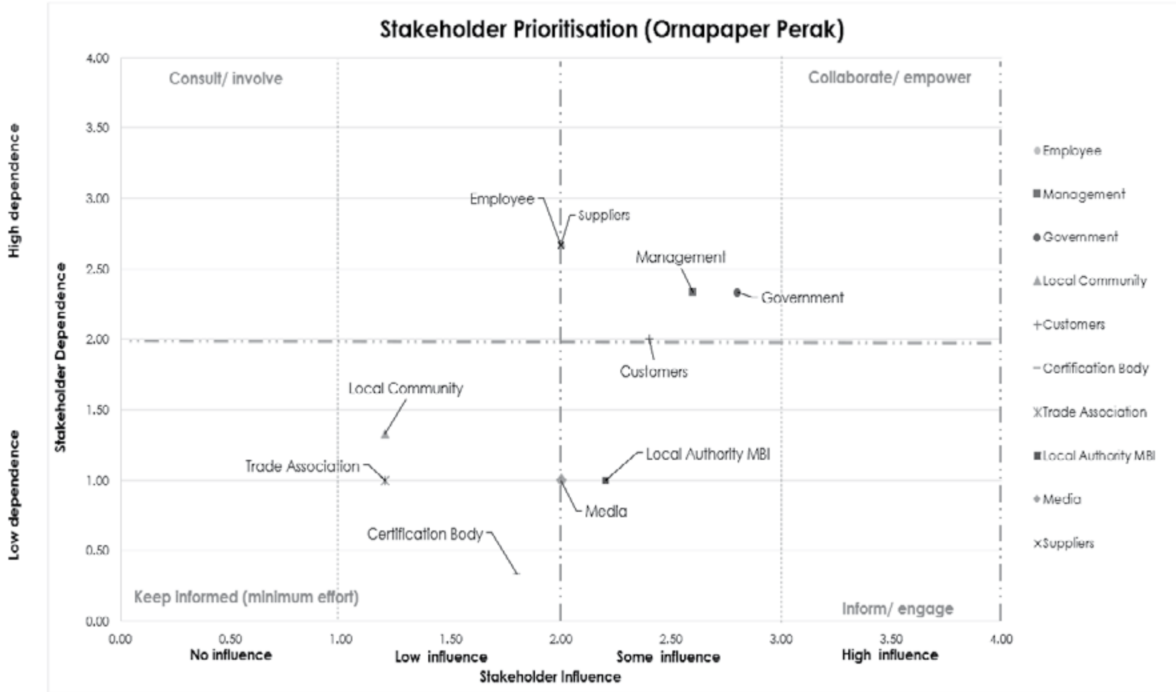

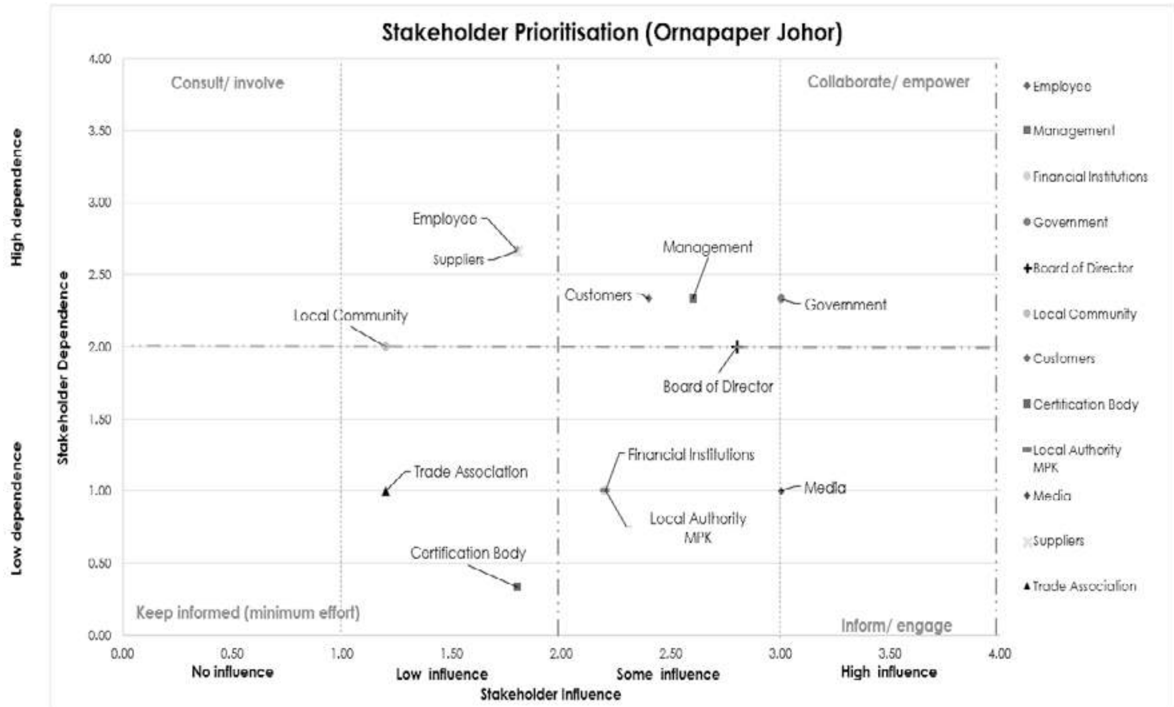

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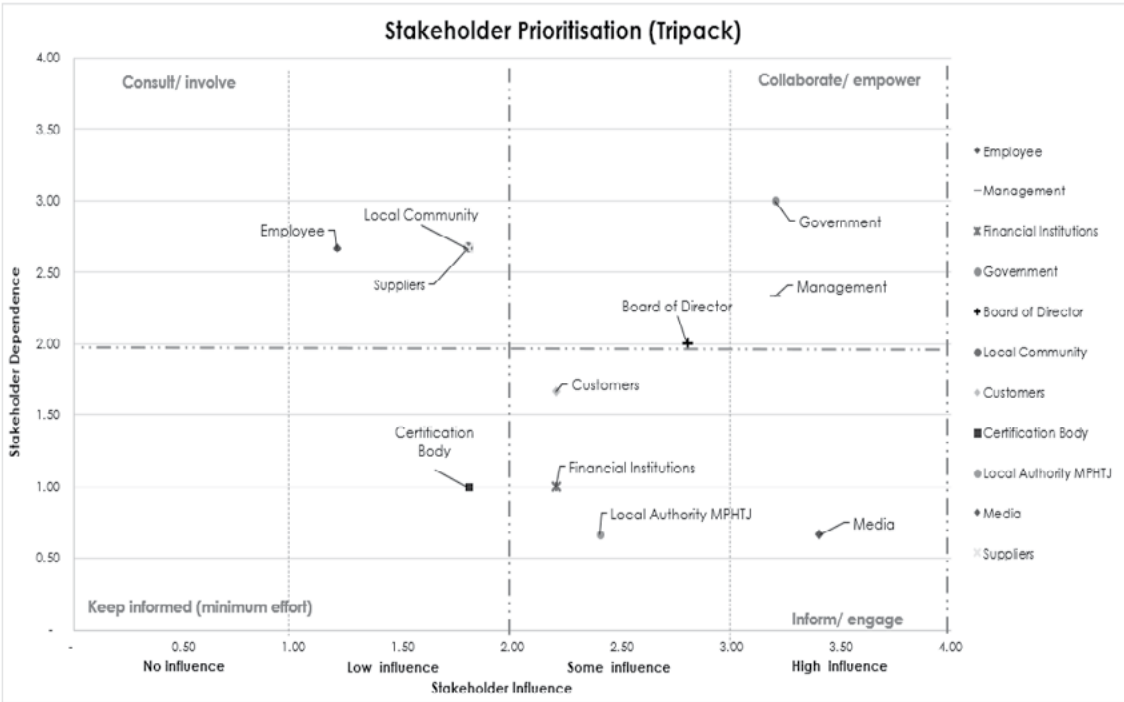


Sustainability Management Activity

Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack had performed the following activities in relation to the identification, management and reporting of sustainability matters and performance:

- Identification of the internal and external stakeholders of manufacturing activities that have influence over and dependence on Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack through Stakeholder's Mapping and with individual Stakeholder Profile established for each stakeholder identified.

- Internal and external stakeholders of manufacturing activities identified by the Risk and Sustainability Management Committee were assessed and prioritised for its degree of influence over and dependence on Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack based on the agreed upon criteria and rating scale ("Stakeholder Prioritisation Exercise").

- The Risk and Sustainability Management Committee performed identification of the sustainability matters through internal sources and informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by Heads of Department.

- The Risk and Sustainability Management Committee performed the internal materiality assessment by using predetermined criteria and rating scale to prioritise the sustainability matters for assessment by internal and external stakeholders and to determine the significance of the sustainability matters from the Group's perspective ("Internal Materiality Assessment").

Sustainability Statement

- The degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholders were performed by the Risk and Sustainability Management Committee by using informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by Heads of Department.

- The results of the Stakeholder Prioritisation exercise, internal materiality assessment and degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholders were used to prioritise sustainability matters and identification of material sustainable matters by the Risk and Sustainability Management Committee. An identified sustainability matter is considered as material if it is above the material threshold established by the Board.

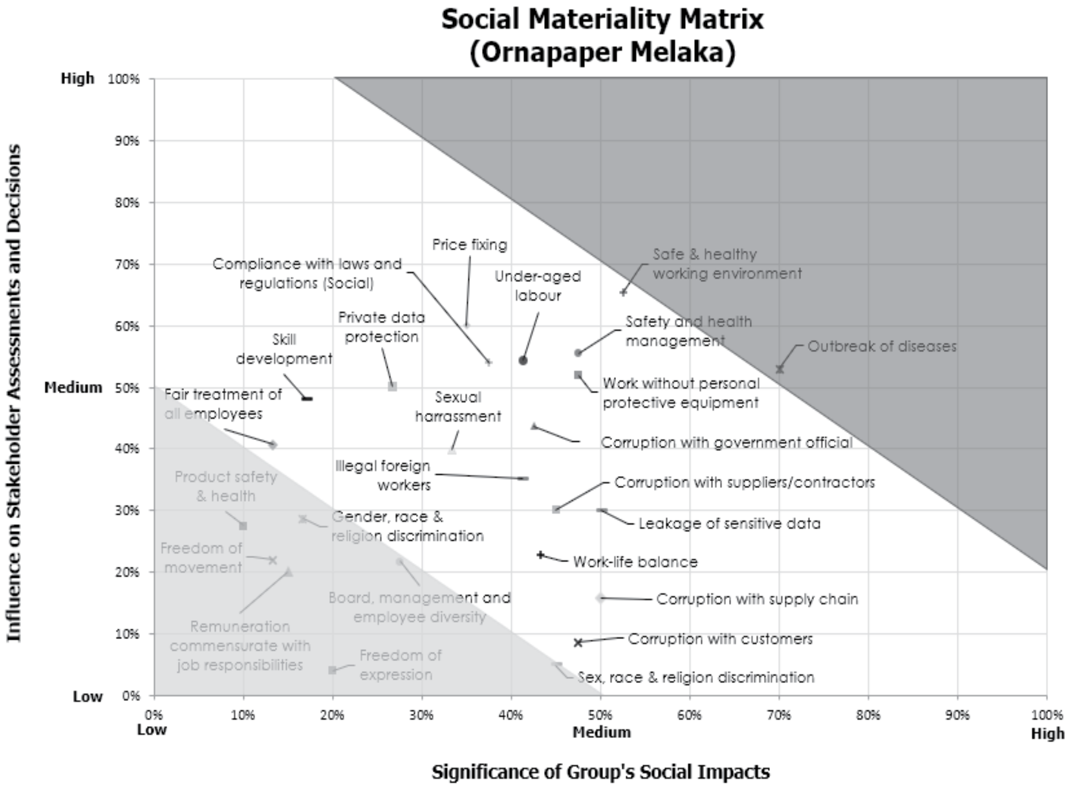
Material Sustainability Matters

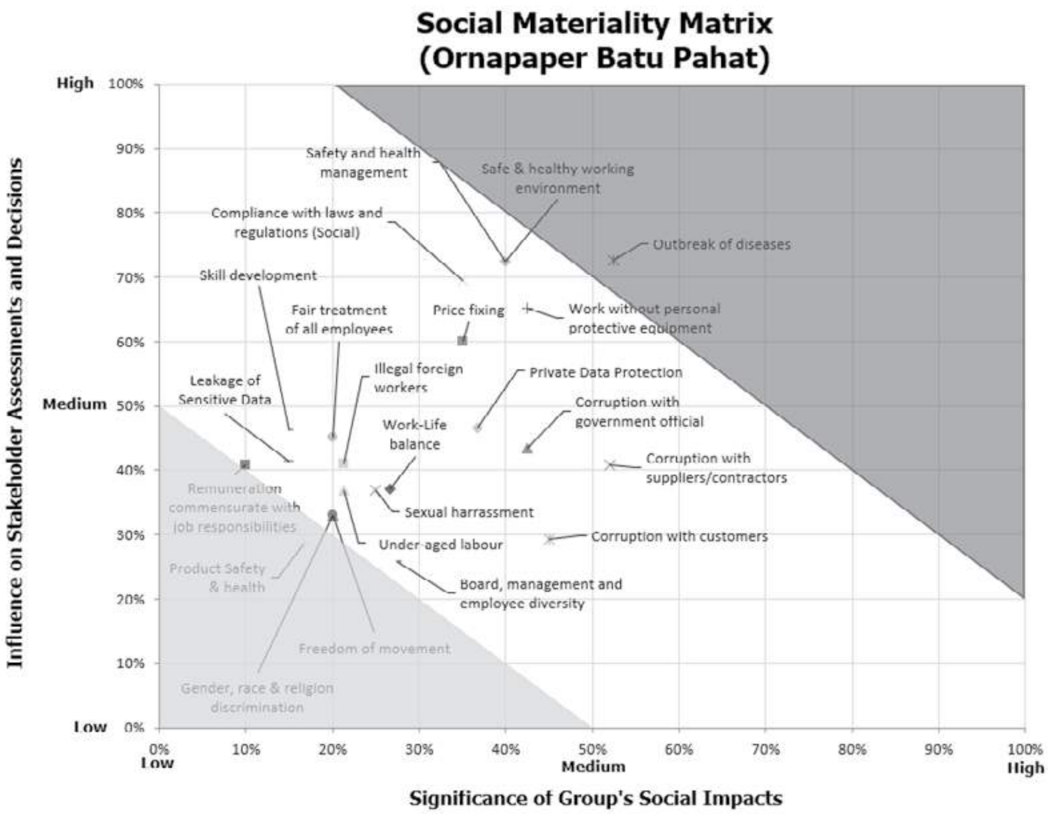
The Group focuses strongly on delivering value to shareholders, practicing good governance, maximising contributions to stakeholders and minimising environmental footprint. The Group's material sustainability matters were identified through the materiality assessment process, whereby the Economic, Environmental and Social ("EES") matters relevant and important to the Group's long-term sustainability were identified and prioritised through structured process and assessment mechanism as approved by the Board, guided by the Guide Toolkit: Materiality Assessment issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group on sustainability context, materiality, completeness and stakeholder inclusiveness through a cycle of identification, prioritisation, validation and review.

A list of material sustainability issues was identified and determined by the sustainability matters assessment and prioritisation exercise of Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack undertaken by the Risk and Sustainability Management Committee that reflected the critical sustainable considerations expected of Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack in respect of the business and geographical extent Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack Pahat are operating in and highlighted the expectations and concerns of stakeholder groups. The sustainability matters are rated as "Material", "Low and Medium" and "Not Material", through material matrix, in respect of its significance from the Management's perspective on the impact as well as all significant stakeholders' perspectives in terms of its influence on the respective stakeholders' assessments and decisions.

The final list of sustainability matters together with the details of identification and assessment of Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack were reviewed by the Audit Committee and reported to the Board for its approval to ensure effective sustainability management and monitoring.

Sustainability Statement





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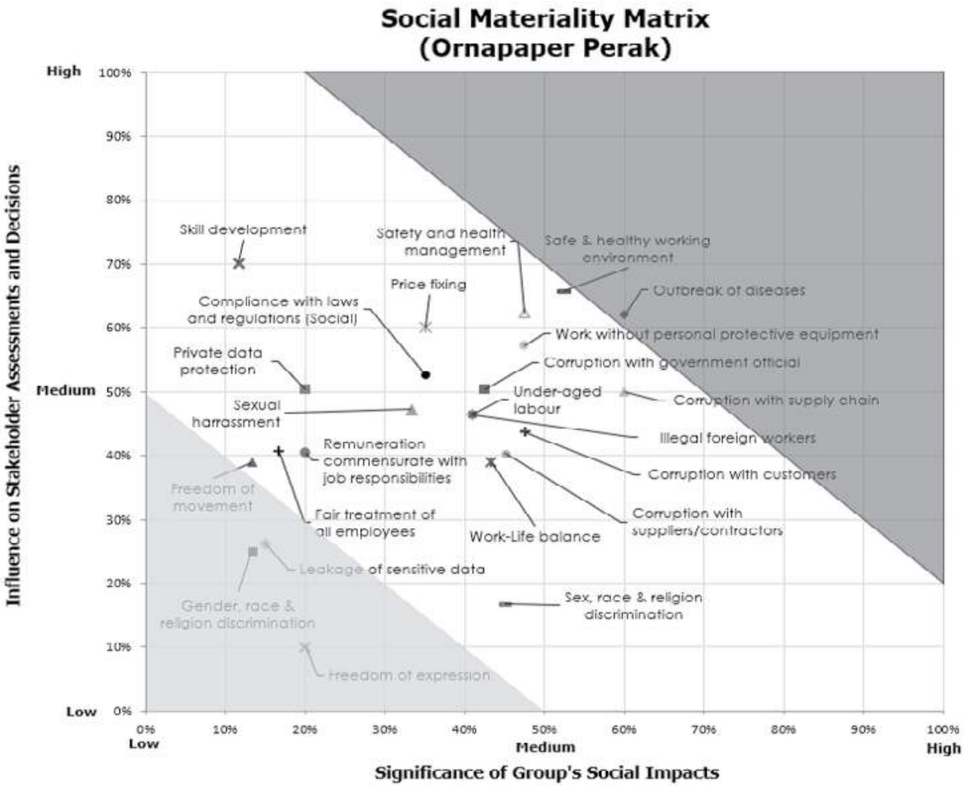

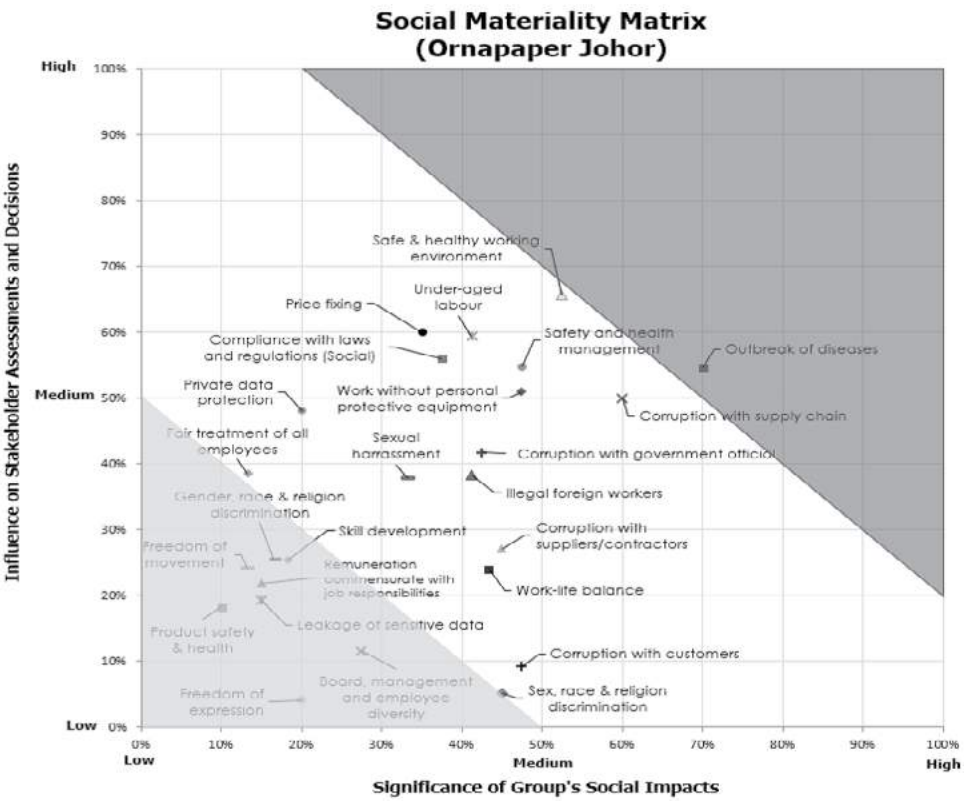

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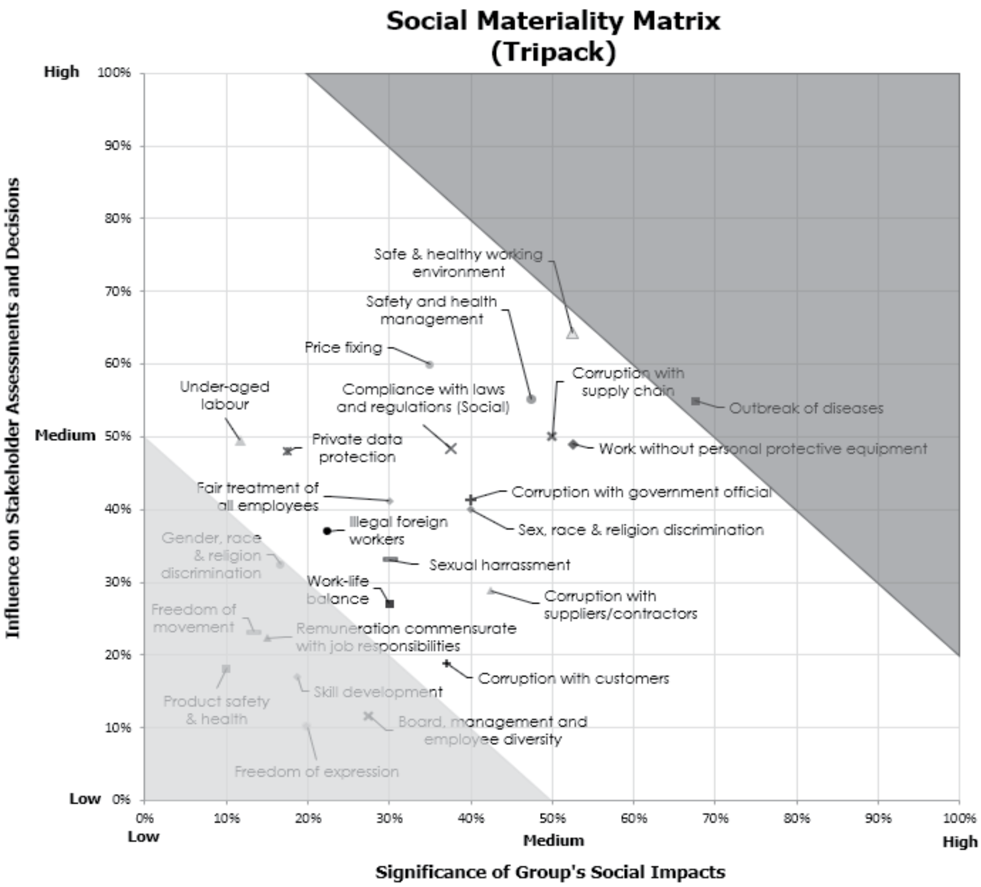

The same sustainability matter is identified and considered material by the Management of Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack as well as the stakeholder groups, details as shown in the table below:

		Aspect Boundary			
Sustainability Matter	Definition	Internal Stakeholders	External Stakeholders	Relevant SDG Goals	Corresponding Risk Register
Outbreak of Diseases (Occupational Safety and Health – Social)	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers and stakeholders	• Board of Directors • Management • Employees	• Customer • Certification Body • Government • Supplier • Media • Financial Institutions	 	Compliance with MITI Requirements

Sustainability Statement

Safe and Healthy Working Environment and Management (Social)

Health and safety are of paramount importance to the Group. As a socially responsible business, the Group's long-term sustainability hinged heavily on the safety and well-being of our employees and not to a lesser extent, the stakeholders. A safe and healthy workplace is not only the fundamental right of the employees but also the relevant stakeholder groups, such as customers, suppliers and contractors. Hence, the Group is committed to provide and maintain a productive, dynamic yet safe and healthy workplace and learning environment, as far as is reasonably practicable, to all employees and relevant stakeholders by minimising the risk of accidents, injury and exposure to health hazards.

The Group places utmost importance on strict and continuous compliance with all relevant safety and health related legislative requirements, including but not limited to the following:

- Occupational Safety and Health Act 1994
- Occupational Safety and Health (Safety and Health Committee) Regulations 1996
- Poisons Act 1952
- Poisons (Sodium Hydroxide) Regulations 1962
- Fire Services Act 1988
- Occupational Safety and Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) Regulations 2013
- Occupational Safety and Health (Noise Exposure) Regulations 2019
- Factories and Machinery Act 1967 (and its orders and regulations)

The safety and health management at workplace is managed by the Safety and Health Committee (made up of representatives from the Management and the employees) established by the respective subsidiaries of the Group. The safety and health management at workplace is also guided by a Group Safety and Health Policy approved by the Chief Executive Director. Safety and health rules and regulations are established by the Safety and Health Committee and approved by the Management to ensure the operational activities are carried out in a proper and safe manner to minimise industrial accidents.

The emphasis on importance of safety and health of our employees and stakeholders remained to be one of the Group's top priorities throughout the COVID-19 pandemic as we adapt to the new normal whilst providing uninterrupted supply and services to our customers and ensuring business continuity and resilience. In this respect, the Group implemented various COVID-19 preventive measures in compliance with the guidelines and Standard Operating Procedures ("SOPs") mandated by the Malaysian Government in curbing the spread of COVID-19 virus in workplace to ensure business continuity while safeguarding the safety and health of employees, customers, suppliers, contractors, visitors and other relevant stakeholders.

A safe and healthy culture at the workplace has been embedded within our day-to-day business operation activities. To foster the desired safety and health objectives and outcomes with minimal industrial accidents and incidents occurred, the Safety and Health Committee shall oversee the due observance of safety and health rules and regulations established and practiced at workplace and to promote safe and healthy conducts and environment at workplace. The Group strives to work towards its goals in achieving "A Zero Accident" workforce, meanwhile, creating "A Good, Safe and Pleasant" environment to the employees and relevant stakeholders in order to prevent unnecessary accidents and injuries at workplace.

Sustainability Statement

Safety and health audits are conducted by the Safety and Health Committee on all departments of the Companies to ensure that concerns or incidents of non-compliances of the safety and health rules and regulations by relevant stakeholders are identified promptly and corrective actions are implemented swiftly. Identification of anticipated hazards and assessment of corresponding risks to safety and health arising from existing or proposed work environment are performed by the Safety and Health Committee with planned controls formulated to eliminate hazards or control risks at regular interval.

Furthermore, scheduled meetings of the Safety and Health Committee are held at predetermined interval in accordance with the required safety and health related rules and regulations. Such scheduled meetings are conducted to promote an effective communication on ways to perform jobs/ tasks in a better and safer manner at the workplace, as well as to discuss and monitor the trend of accident or incident and immediately investigate near-miss accident or incident, dangerous occurrence, occupational poisoning or occupational disease that are occurred at workplace and to resolve with measurements proposed, with the aim of maintaining a hazard free workplace.

Awareness programmes for safety and health are established and implemented to ensure that all relevant stakeholders are competent to uphold the safety and health during the execution of their duties and responsibilities. To promote safety and health culture among the employees, regular safety and health related trainings are conducted and provided to all employees to keep them abreast with the current safety and health practices with necessary precautions to be taken in place to minimise accidents or incidents in workplace. Workplace safety procedures and instructions in operating forklift and various types of machines in production floor are established too in guiding the employees to operate the forklift, production machines and equipment in a safe and sound manner.

As safety measures, safety notices/signboards and indicators are placed at strategic and hazard-prone locations as well as on production equipment to convey safety messages and potential safety hazard to the employees, customers, suppliers, contractors and other visitors. Floor signages are placed at the strategic and hazardous locations too within the premises of the Companies, including production floors and warehouses, as safety indicators and awareness to all employees, suppliers, customers, contractors and other visitors to adhere to in preventing unnecessary incident from happening. Pedestrian safety walkways are created at designated areas in warehouses, factories and any other hazardous locations with safety signages placed to serve as the roadway for pedestrians and provide a safe workplace for employees, customers, suppliers, contractors and other visitors.

Relevant employees and other stakeholders with authorised access to our production facilities are provided with the required personal protective equipment per the Company's safety and health rules and regulations established. Besides, all visitors that have appointments with the Company's personnel are required to report to the security personnel for security clearance and visitor registration before they are permitted for access to the Company's premises. Access to the manufacturing and storage area is also restricted to the authorised personnel only with required personal protective gears to be equipped. Strategic locations at our factories are also monitored through closed-circuit television system while security guards are employed and deployed at important safety control points in the factories to ensure general safety of our employees and other stakeholders within our premises.

Sustainability Statement

As noise is inevitable in some of the Company's production processes, we have implemented measures to mitigate the impact to our employees. In particular, our corrugating section has been identified as the process that generates the highest noise levels. Noise levels are subject to periodic assessments by an Environmental Consultant approved by the Department of Occupational Safety & Health ("DOSH"). To better control noise levels, we deployed engineering controls as far as reasonably practicable, such as, machineries are constructed with noise reducing specifications. Employee's noise exposure is also mitigated by using personal protective equipment, such as, hearing protections, especially at sections with higher noise exposure. Audiometry tests for machine operators are carried out periodically too to monitor employee's risk of detrimental exposure to noise. All plants and equipment used within the Companies are subject to service and maintenance at predetermined interval to ensure its functionality with any defects or potential defects detected at earliest opportunity to reduce the risk of unplanned machinery breakdown and risk of industrial accident.

Moreover, chemical spillage handling procedures/ flow charts are established and placed at strategic and hazard-prone locations too in the production floor. Chemical spillage handling and awareness trainings are conducted too from time to time to enhance employees' responsiveness in the event of such incident happens. First aid boxes are prepared and kept in designated prominent locations in the premises for easy access and prompt retrieval by employees in the event of occurrence of any accidents. Blinking lights are installed at weighbridge too for the safety of the lorries during the night vision.

Further measures on proper labelling and secure storage of flammable materials/ chemicals in dedicated areas, regular safety inspection of electrical wiring and cables as well as prohibition of smoking at workplace (except at the dedicated smoking areas) are implemented too to reduce the likelihood of fire hazard. Additionally, fire preventive equipment and systems are installed and inspected at regular interval to ensure its functionalities are not compromised over time and clear escape route plans are placed at strategic locations. Fire alarm system is installed too in alerting employees and visitors of any fire incidents. To ensure our readiness in the event of unfortunate incident, emergency preparedness and response programmes including fire drills are conducted by our fire and rescue team at regular intervals to ensure that such unlikely incident can be handled satisfactorily and promptly to minimise damage to the properties and people.

Nevertheless, during the financial year under review, there was no fire drills carried out by the Companies due to COVID-19 pandemic that disallowed and discouraged mass gathering. Nonetheless, fire evacuation plan is established and disseminated through trainings and briefings given to employees, as well as being published at the strategic locations in the Companies' premises. Notwithstanding that, fire certificates issued by the Fire and Rescue Department of Malaysia for respective subsidiaries of different locations are obtained and renewed annually after inspections were performed by the authority bodies to ensure the Company's strict compliance with the life safety, fire prevention, fire protection and fire-fighting requirements of the Fire Services Act 1988.

Occupational safety and health performance are regularly monitored and reported in monthly progress reports, identifying any new or recurring health and safety issues that may occur in workplace and the measures undertaken to address these issues. The Group strives to work towards a zero-injury (both minor and major) workforce. The incidents occurred in Ornapaper Melaka and Ornapaper Batu Pahat recorded a slightly higher number of cases occurred during the financial year under review. The Management has been proactively discussing and implementing counter measures to reduce the incident rate to the extent possible in attaining the target of zero-injury set, including enhancing the workplace safety procedures and instructions in operating forklift, machines and equipment with trainings provided to relevant employees, providing more comprehensive and targeted safety and health related trainings and awareness programmes to the employees apart from the on-the-job trainings provided. Besides, the Management is planning for investment in upgrading and fine-tuning some machines in production lines in order to minimise hazards and the risk of injury.

Sustainability Statement

The figures below illustrate the incident records of Ornapaper Melaka, Ornapaper Batu Pahat, and Ornapaper Perak over the course of 5 years from financial year end 2017 to 2021.

ENTITY	YEAR	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017
Ornapaper Melaka	Major	5	7	0	2	3
	Minor	4	2	1	2	0
Ornapaper Batu Pahat	Major	9	1	4	2	6
	Minor	2	4	0	0	0
Ornapaper Perak	Major	1	4	1	2	2
	Minor	0	0	2	2	0

Classification of Major and Minor Injury:	
Major injury	Employees who injured cause incapacity for more than 4 calendar days
Minor injury	Employees who injured cause incapacity for less than 5 days

There was no major legal action taken against the Group nor any fine or monetary sanction imposed related to occupational safety and health aspects during the financial year under review.

Outbreak of Diseases – COVID-19 (Social)

The unprecedented global outbreak of COVID-19 pandemic that has been ongoing for two years has brought about substantial disruptions affecting almost all sectors of economies across the globe and ours are of no exceptions too. Sudden changes and uncertainties with continuous fine-tuning and adaptation in business operations under the new normal are needed during this challenging period. We have responded quickly along the way to put in place measures that enhance the safeguarding of employees' health and safety during this extraordinary time meanwhile making sure that our business and production operations are able to be resumed and sustained with growth, without significantly affected the supply to customers.

Notwithstanding that, the Group is committed to ensure its adaptation and strict compliance with the SOPs stipulated as well as the regulations and guidelines on health precautions and movement control issued by the Ministry of Health Malaysia, Ministry of Defence Malaysia and other related regulatory bodies. In view of the ongoing COVID-19 pandemic, in order to provide a safe and healthy working environment to employees, sufficient and appropriate briefings were given to employees in relation to the pandemic and the preventive measures required to be taken. Employees are always required to comply strictly with the guidelines and preventive measures required by the authority bodies.

Sustainability Statement

A formal memorandum in relation to COVID-19 prevention enhancement was issued and disseminated to employees in serving as a reminder of the precautions and safety measures exercised by the Group to ensure everyone in the premises in protected form COVID-19 infection. The precaution steps are reviewed and improved from time to time with reference to the ongoing situation as well as the government's guidelines and SOPs to safeguard the safety and well-being of our employees, lorry drivers, suppliers, customers, contractors and visitors. Despite the lifting of COVID-19 restrictions where employees are allowed to resume work in the office premises at limited workforce capacity with certain terms and conditions required to be observed. Alternate working days was implemented during the lockdowns imposed in Malaysia to minimise the number of headcounts present at the workplace.

Besides, all required essential programmes, activities, courses, audits and business trip, including visit to customers' places, which involved both internal and external parties that were conducted physically prior to the pandemic were either switched to virtual mode, whenever possible, or being delayed until further notice, unless with special approval by the top management, Chief Operations Officer ("COO") or Chief Executive Director in view of the urgency involved with maximum headcount controlled per SOPs. Hence, external parties are not allowed to enter the Companies' premises except with the approval from top management. Virtual meetings are encouraged to be conducted to reduce the traveling and personal interaction. All mass gatherings are required to be delayed or cancelled and employees are advised to avoid crowded areas or gatherings. Employees are also advised to notify the Companies in advance for visiting high risk areas during weekdays and weekends.

In addition, thermal scanner and thermometers are prepared and used by the Companies, where body temperature of all employees, lorry drivers, suppliers, customers, contractors and visitors are measured everyday by the security guards at the main entrance of the factory premises. Checking-in via MySejahtera apps and hand sanitisation before entering the Companies' premises are required to be done as well at the main entrance at the security guardhouses. Employees are enquired to declare or report to Human Resources and Administration Department for any symptoms of COVID-19. Readings of employees are recorded and kept for a period of at least three months for reference. Should the body temperature reading be 37.5 degree celsius or more, or has symptoms, the employee is not allowed to enter the Companies' premises and the Companies are required to contact the nearest health office or government hospital or clinics should it be necessary.

Hand sanitizers are also provided at the security guardhouses, main entrance of the office premises, common areas as well as other highly accessible and visible areas within the premises/ factories. Face masks are provided to all employees daily and all employees, lorry drivers, suppliers, customers, contractors and visitors are required to always put on face mask while in the Companies' premises. The best practices of social distancing, such as, one-meter distance/ space separation without body contact is practiced too. Distancing markings at required places such as on the floor, desks and chairs are placed, especially in common areas including production floor, and the social distancing practices are required to be observed by all employees in the premises/ factory. The Company also encourages no handshake policy to avoid unnecessary physical contact.

Besides, the lunch and break time of employees are arranged in stages and flexi-paper boards are installed on canteen tables to minimise the crowd as well as interaction between employees during break time. The Companies' canteens are only allowed to operate for the purpose of providing packed foods by food operators who should also wear mask and gloves with social distancing practiced. Various COVID-19 safety and precaution signages are placed at key locations of the premises to create awareness to employees apart from providing related awareness trainings to the employees.

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Furthermore, disinfection or sanitisation process at the Companies' premises/ factories are conducted before the shift or operation begin in accordance with the guidelines set by the Ministry of Health Malaysia. The sanitisation and cleaning process is performed three (3) times a day, especially in common spaces, such as, lobby/ entrance to the office premises, security guardhouse, meeting rooms, prayer rooms, canteen, toilets, pantries, warehouses and production floors. All lorries and items that are moved into the Companies' premises are required to be sanitised or disinfected by security guard before its entrance.

Furthermore, the Group always ensure compliance with the minimum standard for space requirement for workers' accommodations in accordance with the Workers' Minimum Standards of Housing and Amenities Act 1990 (Act 446). The Group has taken additional precautionary measures in requiring new employees to undergo the COVID-19 self-testing before they present to work, as well as requiring existing employees to undergo the COVID-19 self-testing once every two weeks, by using the self-test COVID-19 test kits provided by the Companies. Employees that show the symptoms of COVID-19 or have closed contacts with the positive COVID-19 patients or have closed contacts with ones from the clusters are required to undergo self-quarantine and perform COVID-19 self-testing on a regular interval. Besides, all visitors, customers, suppliers or contractors that are required to visit the Companies are also required to perform at least COVID-19 self-testing prior to going in the Companies. Necessary steps are taken by the Group to allow early detection and avoid the widespread of this infectious disease.

Other Major Environment and Social Activities Undertaken During Financial Year

A. Environment

The Group, as a responsible corporate citizen, is mindful of its commitment to drive long-term value for its stakeholders and its role in securing a sustainable future for the Group and the communities it is interacting with along with the environment that it subsists upon. The Group is dedicated to continuously improve the environmental performance in order to exist in harmony with the mother nature. Hence, the Group strives to conduct its business and operations in an environmentally responsible manner that leave a positive impact on society and the environment. The Group's operations are built on governance procedures intended to ensure sound environmental practices in its daily operations.

As an accountable group of companies, the Group is committed wholeheartedly to ensure that all relevant environmental laws and regulatory requirements, i.e. Environmental Quality Act 1974 and its regulations, are strictly adhered to and embedded into its operations. Other environmental related laws and regulations strictly complied by the Group are Environmental Quality (Scheduled Wastes) Regulations 2005, Environmental Quality (Control of Petrol and Diesel Properties) Regulations 2007, Environmental Quality (Sewage) Regulations 2009, Environmental Quality (Industrial Effluent) Regulations 2009, Environmental Quality (Clean Air) Regulations 2014, Poison Act 1952 (Act 366), Poison (Sodium Hydroxide) Regulations 1962, Occupational Safety and Health (Noise Exposure) Regulations 2019, Environmental Quality (Refrigerant Management) Regulations 2020 and etc. The Group's target is to sustainably maintain operational quality across the Group, in which it would promote sensible use of natural resources. To enhance this, the Company has obtained ISO 14000:2015 certification.

Sustainability Statement

Given the nature and size of its operations, the Group's operating processes produce significant amount of waste. The Group is subject to periodical assessments by the Department of Environment Malaysia ("DOE") to ensure that the Group operates its businesses in an environmentally responsible manner. Scheduled wastes generated from the Group's operations are collected and stored in compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005 and disposed to licensed scheduled waste operators which are approved by DOE for material recovery and proper handling and ultimate disposal of such wastes. The scheduled wastes' generation and movement are monitored through the Electronic Scheduled Waste Information System under DOE. Besides, grease traps were installed too to prevent oil and waste from discharging to drain.

As for non-scheduled waste generated, it is scrapped or collected by selected waste collectors to be recycled or disposed at landfills. The nature of industry the Group is involved in does not generate significant air emissions but that does not exclude the Group from meeting the regulatory standards set by DOE pursuant to Environmental Quality (Clean Air) Regulations 2014. The emissions to atmosphere are channelled through chimneys, whereby regular air emissions monitoring was conducted through stack emission monitoring to ensure continuous compliance to DOE's limits. Besides, engineering controls were deployed on plants and machineries to the extent possible to reduce the wastages generated, improve air quality and minimise/ prevent depletion of natural resources.

To uphold its value on environmental proposition, the Group practices the "Reduce, Reuse and Recycle" policy to reduce waste, reuse resources and recycle materials to the extent possible. Instances of the Group's initiatives in practicing the "Reduce, Reuse and Recycle" policy are as follows: -

- Reuse and recycle of A4 paper which helps to reduce trees being cut down and reduce greenhouse gases emission.
- Recycle and reuse the printer toner cartridge by sending the empty toner to supplier for refilling.
- Reduce electronic waste to be disposed through landfill, which helps to conserve environment by saving energy, water, and natural resources and reduces greenhouse gases caused by manufacturing new cartridges.
- Recycle of trim waste, paper core and rejected carton which help to conserve energy and natural resources and ultimately reduce pollution.
- Recycle of stripping band and metal scrap.
- Reuse cleaning water for glue starch generation which aids to reduce water bills and minimise water pollution.
- Reuse of hydraulic lubricant, which is the residue of cleaning corrugating rolls, for maintenance processes.
- Return of re-usable and returnable plastic containers to suppliers.

The Group is committed to the protection of environment at all locations where manufacturing and assembly activities are performed. As an environmentally conscious business entity by holding environment preservation closed to its heart, an Environmental Policy is established by the Group which is approved by the Chief Executive Director with strict compliance. The Environmental Policy established was advertised and announced to our customers and public through uploading such policy in our corporate website and distributed upon request from customers and suppliers. The Environmental Policy was published at every department too, including guardhouse, meeting rooms and receptionist counter, to bring awareness to every one of the Company's commitments in fulfilling the accountability of trustee of environment for the benefits of all stakeholders including the future generations.

Sustainability Statement

The Group has been mindful and remained committed to protecting and enhancing the environment surrounding the Group's operations by minimising the environmental footprint for the benefits of the future generations. In demonstrating the Group's initiative in environmental preservation, roof thermal insulation painting at production area was previously carried out in Ornapaper Melaka to improve the air quality and reduce temperature while provide a more comfortable and less heaty workplace to the employees at production areas. Besides, in striving for sustainable environment and financial benefits through reduction in energy consumption, the Group has invested in installation of solar system, started with Ornapaper Melaka, to help to reduce the temperature inside the workplace as well as reduce the electricity consumption and electricity costs incurred while reducing carbon emission to fight climate change.

Additionally, to play a part in maintaining environmental sustainability and strive to minimise releases to air, water and land, there are several environmental objectives and targets established by the Management of Ornapaper Melaka, Ornapaper Batu Pahat and Ornapaper Perak, whereby the actual performances are reviewed periodically with necessary corrective actions taken, shown as follows: -

ORNAPAPER MELAKA	
Environmental Objective(s)	**Environmental Target(s)**
1. To control water consumption	To ensure the water consumption not exceeding average of 0.7m³/MT for the next twelve months.
2. To control energy consumption	To ensure the energy consumption not exceeding average of 50 kwh/MT with tolerance level of 10% for the next twelve months.
3. To reduce disposal of plant waste	To ensure disposal of plant waste not exceeding 11%/month.
4. To reduce disposal of glue sludge	To reduce the disposal of glue sludge accumulated to 25MT/year.
5. To reduce generation of ink sludge	To reduce the generation of ink sludge to average 10MT/month.

➢ *Energy and Water Consumption (For Ornapaper Melaka):*

	FYE 2021	FYE 2020	FYE 2019	FYE 2018	TARGET
Average Water Consumed/MT (m^3/MT)	0.4	0.3	0.6	0.7	0.7
Average Energy Consumed/MT (kwh/MT)	44	54	52	51	50

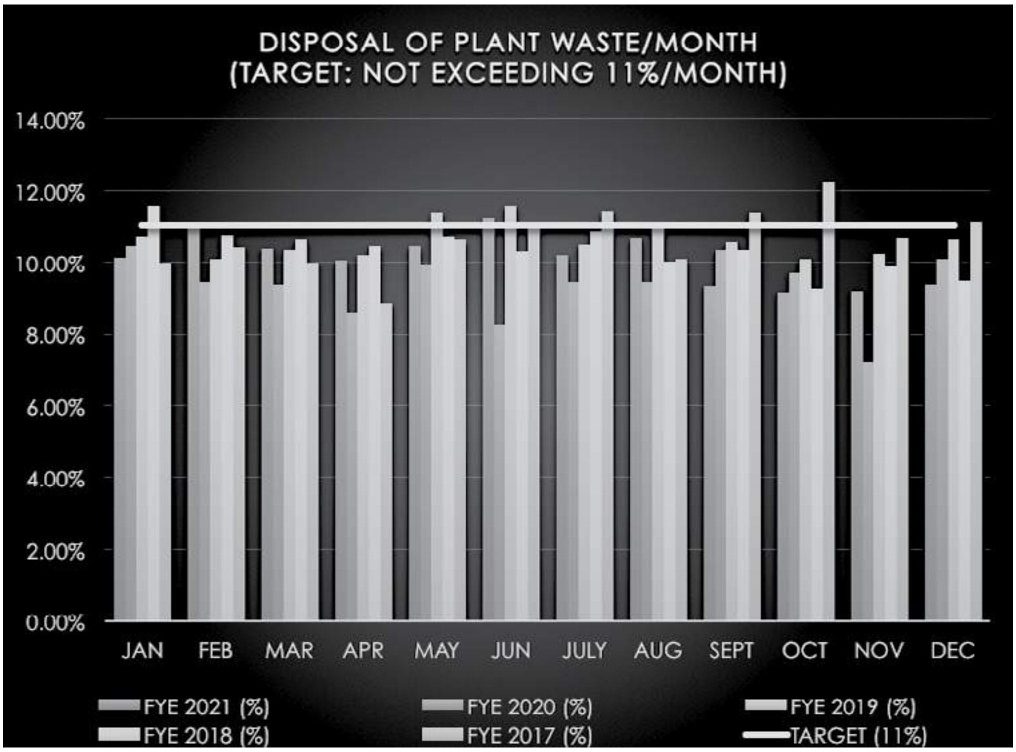
Sustainability Statement

➢ *Disposal of Glue Sludge and Generation of Ink Sludge (For Ornapaper Melaka):*

	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	TARGET
Accumulated Glue Sludge Disposed for the Year (MT/year)	11.52	19.64	19.54	16.11	22.67	25
Average Ink Sludge Generated /Month (MT/month)	3.61	7.16	6.71	9.08	5.61	10

Apart from the good management practiced by the Management in working towards optimising operational efficiency and reducing generation of scheduled wastes, the lower average monthly ink sludge generated and lower accumulated glue sludge disposed for the year were also partly due to the COVID-19 pandemic and lockdowns with limitation of production workforce capacity in the Company as allowed by the Malaysia government.

➢ *Disposal of Plant Waste (For Ornapaper Melaka):*



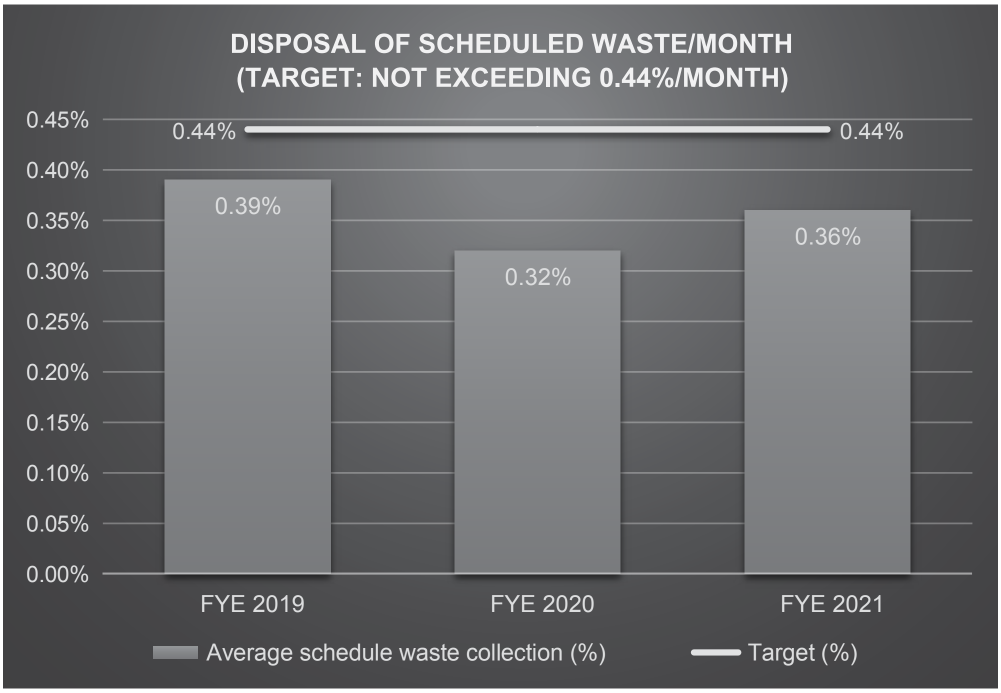
Sustainability Statement

ORNAPAPER BATU PAHAT	
Environmental Objective(s)	**Environmental Target(s)**
1. To control water consumption	To control the average consumption of water not exceeding 1.06m³/MT.
2. To control energy consumption	To ensure the average consumption of electricity not exceeding 75.20kwh/MT.
3. To control disposal of scheduled waste	To control the scheduled waste collection by 0.44% compare with previous year.
4. To control boiler emissions by 20% per day	To ensure smoke emissions shall not exceeding 20% per day. If exceeded, less than 15 minutes per day.

➢ *Energy and Water Consumption (For Ornapaper Batu Pahat):*

	FYE 2021	FYE 2020	FYE 2019	TARGET
Average Water Consumed/MT (m³/MT)	0.92	0.90	1.43	1.06
Average Energy Consumed/MT (kwh/MT)	74.80	75.20	86.29	75.20

➢ *Disposal of Scheduled Waste (For Ornapaper Batu Pahat):*



Sustainability Statement

➢ *Boiler - Smoke Emission (For Ornapaper Batu Pahat):*

	FYE 2021	FYE 2020	FYE 2019	TARGET
Smoke Emission Not Exceeded 15 Minutes/Day	Failed	Passed	Passed	< 15 minutes

The results obtained in year 2019 and 2020 were based on the smoke emission control limit at 40% per day, and less than 15 minutes per day if it exceeds the limit of 40% per day. The smoke emission control limit was then changed to 20% per day with effective from March 2021 per DOE's enforcement after the site inspection. However, the target was unable to be achieved in year 2021 after such changes of boiler smoke emission control, mainly due to the inconsistent performance during the change of materials (types of woods) used for biomass process. Management has performed thorough investigation, identified the possible root causes and in the midst of implementing the corrective actions designed and closely monitoring the smoke emission readings during the change of materials used for the biomass process.

ORNAPAPER PERAK	
Environmental Objective(s)	**Environmental Target(s)**
1. To control water consumption	To ensure the water consumption not exceeding average of 0.9m³/MT for the next twelve months.
2. To control energy consumption	To ensure the energy consumption not exceeding average of 70.32kwh/MT for the next twelve months.
3. To reduce disposal of plant waste	To ensure disposal of plant waste not exceeding 9.5%/month.
4. To control disposal of ink sludge	To control the disposal of ink sludge collection to average 2,000kgs/month.

➢ *Energy and Water Consumption (For Ornapaper Perak):*

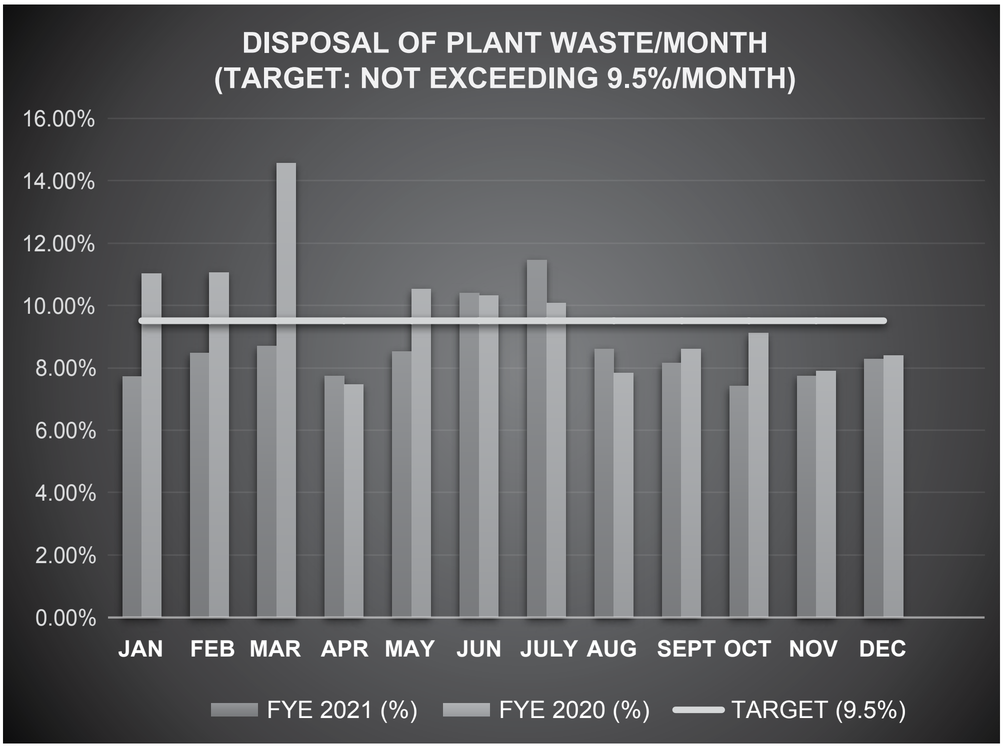
	FYE 2021	FYE 2020	TARGET
Average Water Consumed/MT (m^3/MT)	0.87	0.87	0.9
Average Energy Consumed/MT (kwh/MT)	53.85	59.79	70.32

➢ *Disposal of Ink Sludge (For Ornapaper Perak):*

	FYE 2021	FYE 2020	TARGET
Average Ink Sludge Disposed/Month (kgs/month)	1,488	1,513	2,000

Sustainability Statement

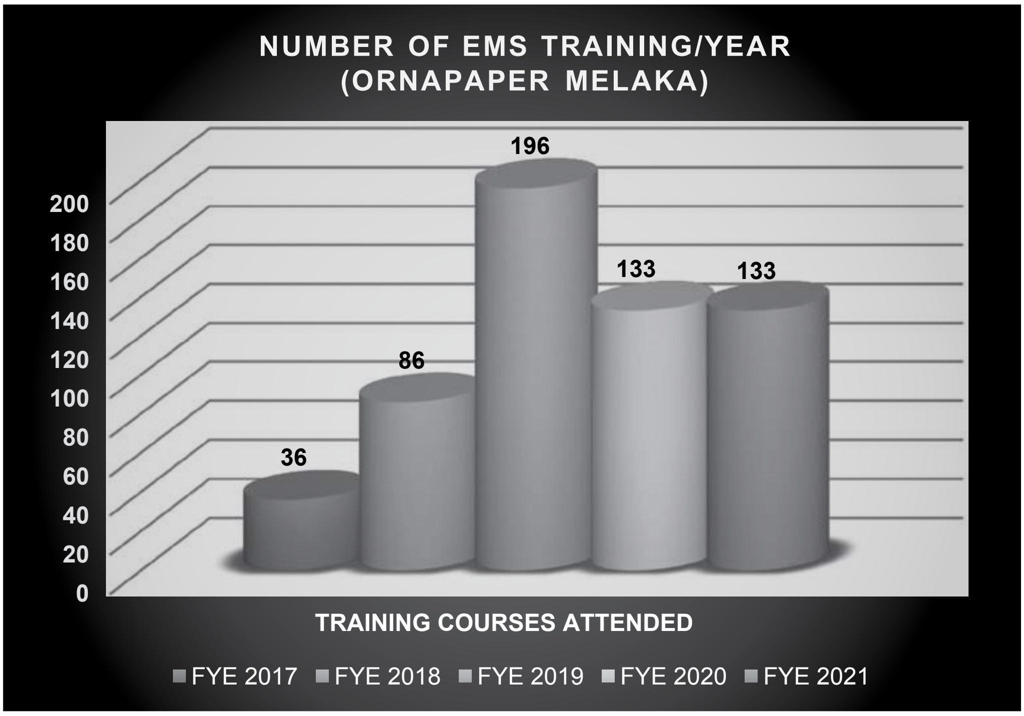
- *Disposal of Plant Waste (For Ornapaper Perak):*

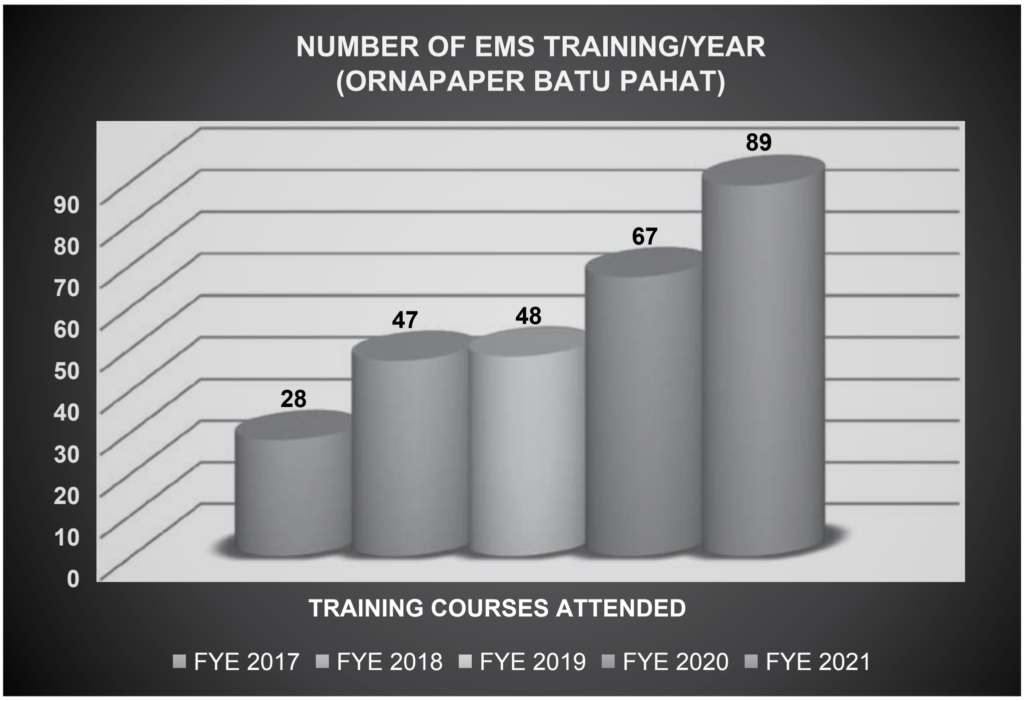


In order to instil environmentally friendly mindset in all employees as well as the compliance requirements of Environmental Quality Act and its regulations, continuous environmental preservation awareness trainings are provided to employees on the environmental causes championed and the required conducts expected from the employees. Nevertheless, on overall, the environmental management system ("EMS") related trainings provided to employees of the Group during the financial year under review were slightly lesser than the preceding financial year due to the occurrence of the unprecedented COVID-19 pandemic. Hence, the Group has taken extra precaution to prevent the widespread of COVID-19 within our community by requiring all physical training courses which involved both internal and external parties to be delayed, unless relevant and suitable virtual trainings are available, or such physical trainings courses are inevitably necessary for certain crucial and rational reasons.

TRAINING/ YEAR	ENTITY	YEAR 2021	YEAR 2020	YEAR 2019	YEAR 2018	YEAR 2017
NO. OF ENVIRONMENTAL MANAGEMENT SYSTEM ("EMS") RELATED TRAINING	ORNAPAPER MELAKA	133	133	196	86	36
	ORNAPAPER BATU PAHAT	89	67	48	47	28
	ORNAPAPER PERAK	72	71	20	2	-

Sustainability Statement





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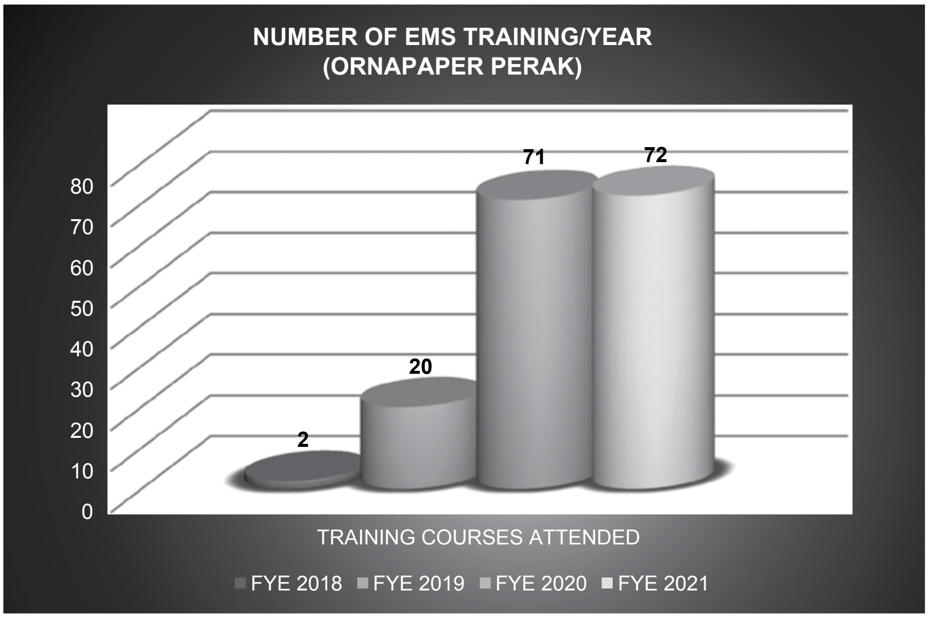


There was no legal action taken against the Group nor any fine or monetary sanction imposed in relation to the environmental related aspects during the financial year under review. Prompt actions and proactive steps were taken to ensure relevant environmental factors remained within the regulatory requirements of our operations.

B Social

The Group acknowledges the importance to uphold the social value along with its value chain to accommodate the needs of stakeholders affected by its activities undertaken. The Group is committed to conduct its business activities ethically and in a transparent manner in order to build an enduring and trusting business relationship with all its stakeholders.

The long-term business success and sustainability of the Group lies in every employee as employees are recognised as an important and valuable asset as well as a key business success factor for the Group. The Group strongly believes that human capital development and availability of a highly resilient workforce is particularly important to support the continued expansion and growth of the businesses. Therefore, it is vital for the Group to value the employees and treat them equally, provide them with a safe, healthy and sustainable working environment, as well as to actively develop, invest in and foster growth amongst its employees to further develop the skills, knowledge and talents of the employees. Hence, all employees have the opportunity to contribute to the Group while achieving their own career goals.

To have a strong-based workforce and ensure the Group remains competitive and continues to attract and retain the right talents, the Board acknowledges the efforts to remunerate employees with remuneration and benefits that commensurate with their duties and responsibilities, to offer ongoing opportunities for trainings and developments, as well as long-term career prospects. The Group encourages employees to undergo learnings and training courses or activities that are beneficial to them in supporting their career development and performance enhancement. The learnings can be inclusive of functional, on-the-job or people skills that are relevant to the current or future job function, which shall prepare them for the next level of long-term career with the Group.

Sustainability Statement

The Board is committed to build performance-based culture by allowing employees to demonstrate their capabilities and recognising their potential to be leaders. The Group is mindful that fair compensation is vital in motivating and engaging workforce to achieve its growth target in line with the strategic directions of the Group. Thus, employees are reasonably rewarded based on the competencies demonstrated and efforts dedicated by them in delivering their duties and responsibilities.

The Group strives to create a positive and supportive workplace where employees are engaged through various avenues to ensure an effective flow of information and optimise operational performance. Annual performance appraisals are undertaken by the Management, not only for the performance-based remuneration, but also to have effective two-way communication with its people whereby the past performance and expectations for the future years by the Management on the employees are communicated while the employees' commitment and concerns are conveyed for future monitoring and sustainable development of the Group.

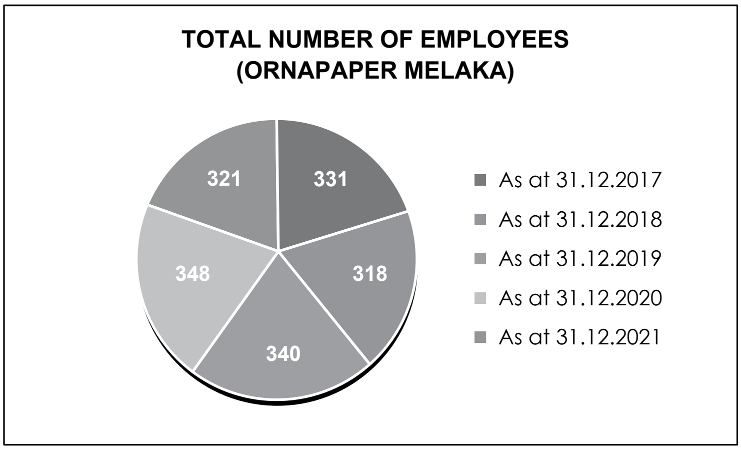
Making the Group a secure and comfortable workplace continues to be an important focus in its business strategy whereby health and safety improvement benefits will eventually be delivered to employees, suppliers, contractors, customers, investors and public. The Board understands the inherent risk of the Group's operations, especially in the Production Department. While it takes every possible measure to safeguard the occupational safety and health of individuals involved in its operations, all employees possess general duties to comply with occupational safety and health related standard operating procedures in accordance with the Occupational Safety and Health Act 1994. The Group continuously aim to improve its safety culture through the renewal and deployment of occupational safety and health trainings and courses delivered to selected personnel.

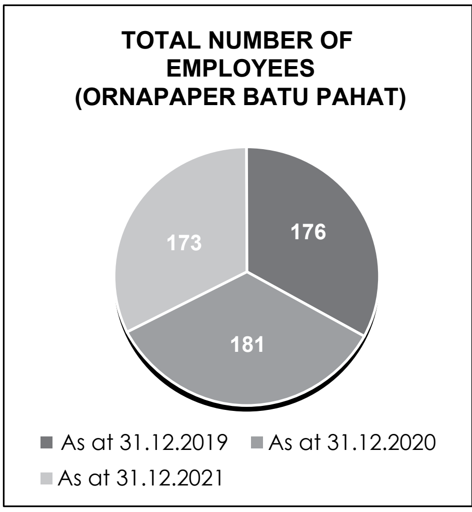
The Group embraces diversity in the workplace and continues to advocate the culture that respects and leverages on the diverse ethnicities and cultures of Malaysia, hence, recognises the needs of respective ethic groups and accommodate their needs and requirements in the business and operations. The Group believes and practices fair treatment and equitable opportunities for all employees regardless of race or ethnicity, religion, nationality, age, marital status, gender or any other characteristics as protected by the local legislation and regulations. In addition, equal access and opportunities with fair treatments are provided to employees in terms of recruitment, salary increment, benefits and allowances, promotion, retention and training. Such believe and practice are vital in boosting employees' motivation for better performance achievement and continuous improvement.

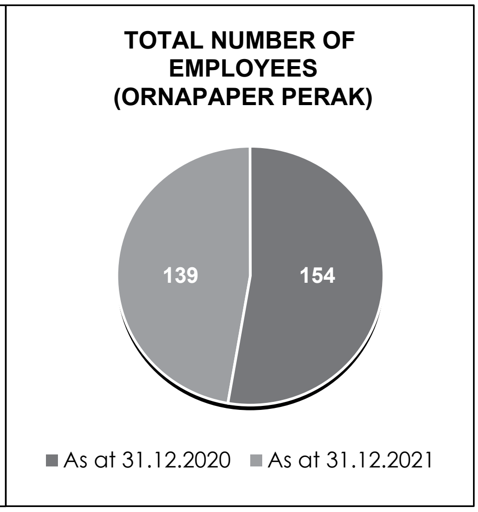
The Group had developed Employee Handbook and Human Resource policies and procedures in that respect for transparency in employee's benefits and entitlements. The Group forbids all forms of discriminations in the workplace, such as, race, religion, nationality, gender, colour, age, marital status, pregnancy status, sexual orientation and physical disability. The Group respects and embraces that every individual has an equal right and voice to make a difference in driving and strengthening the sustainable growth of the Group. All employees are allowed to receive fair treatment while working with the Group such as equality in terms of wages, work hours and overtime allowed, various types of leaves entitlements, medical benefits, terminations, non-discrimination, access to complaint mechanisms and other established protection policies. The Group also observes strict enforcement of no illegal employment in the workplace.

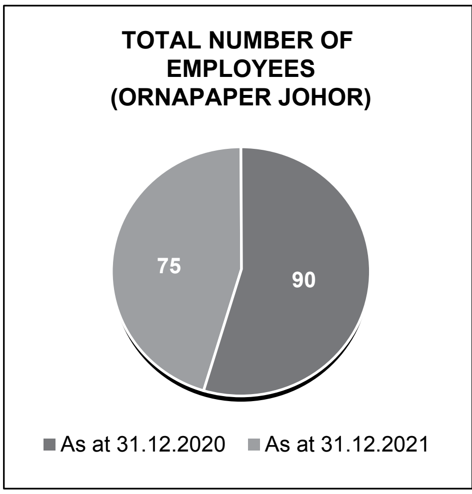
Sustainability Statement

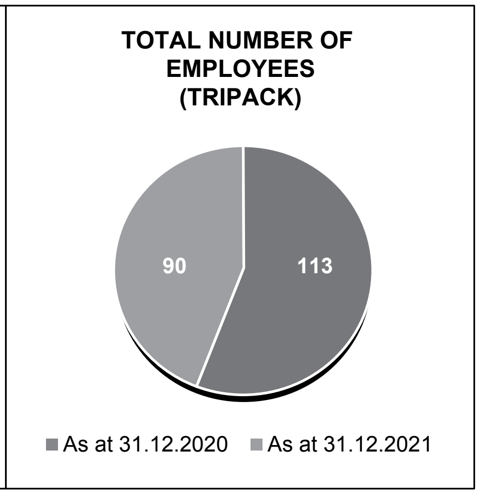
A full breakdown of our workforce in Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor and Tripack are illustrated below.











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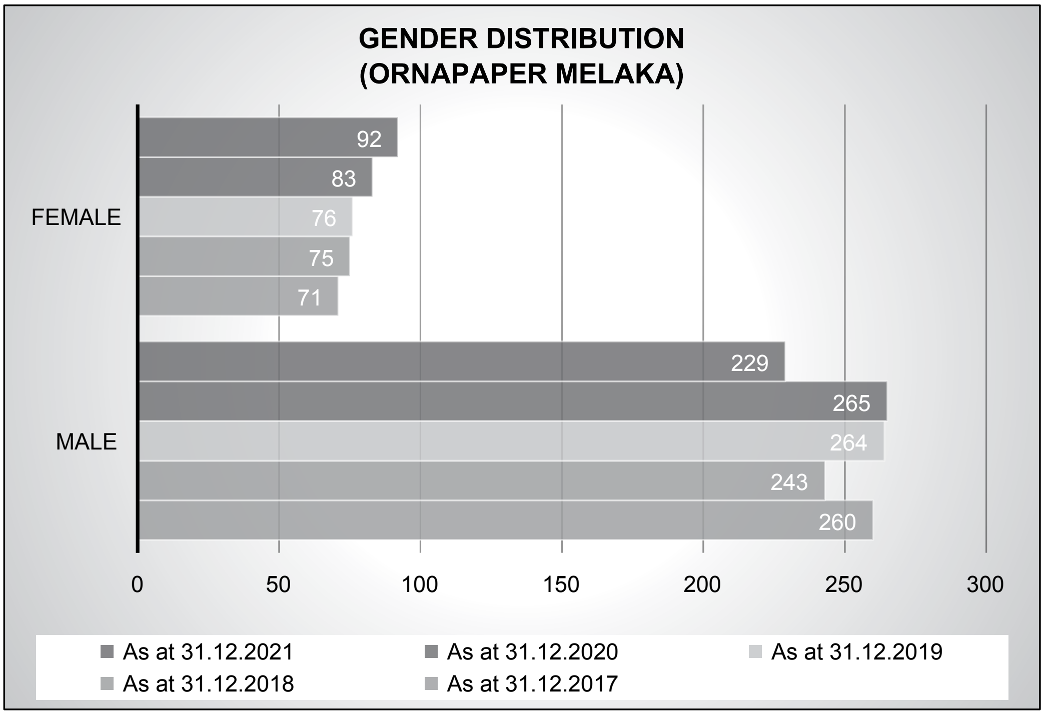

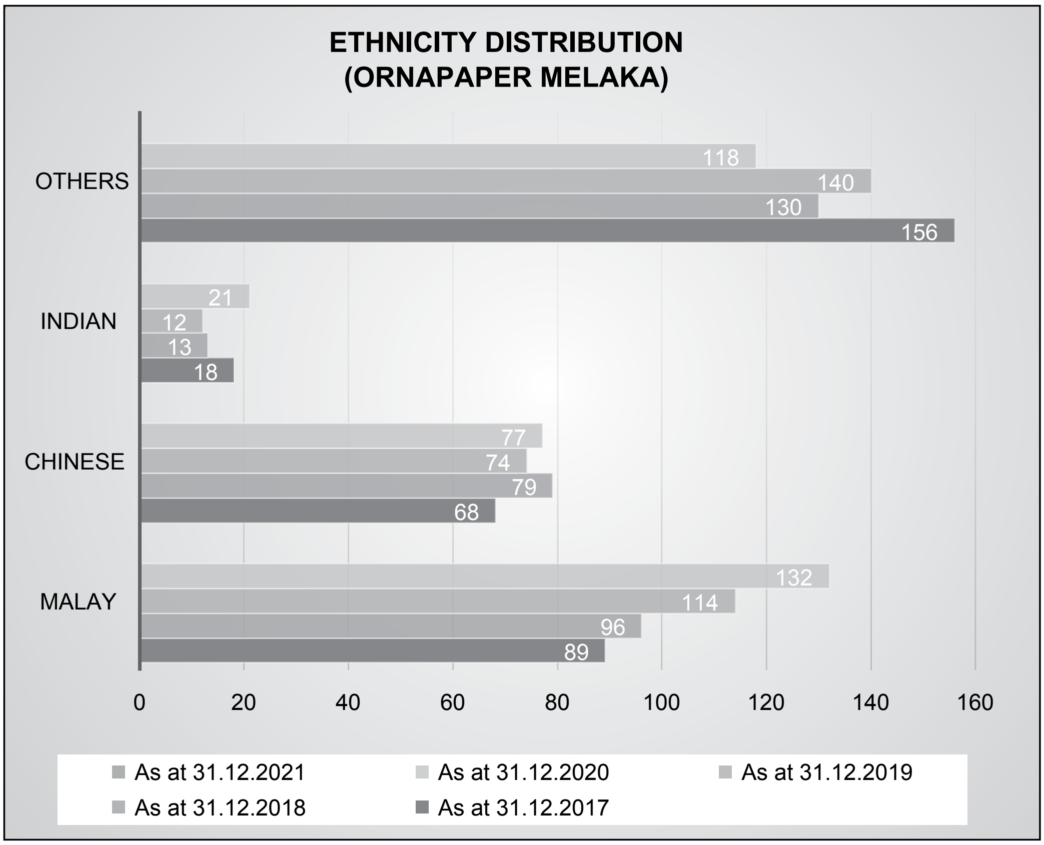

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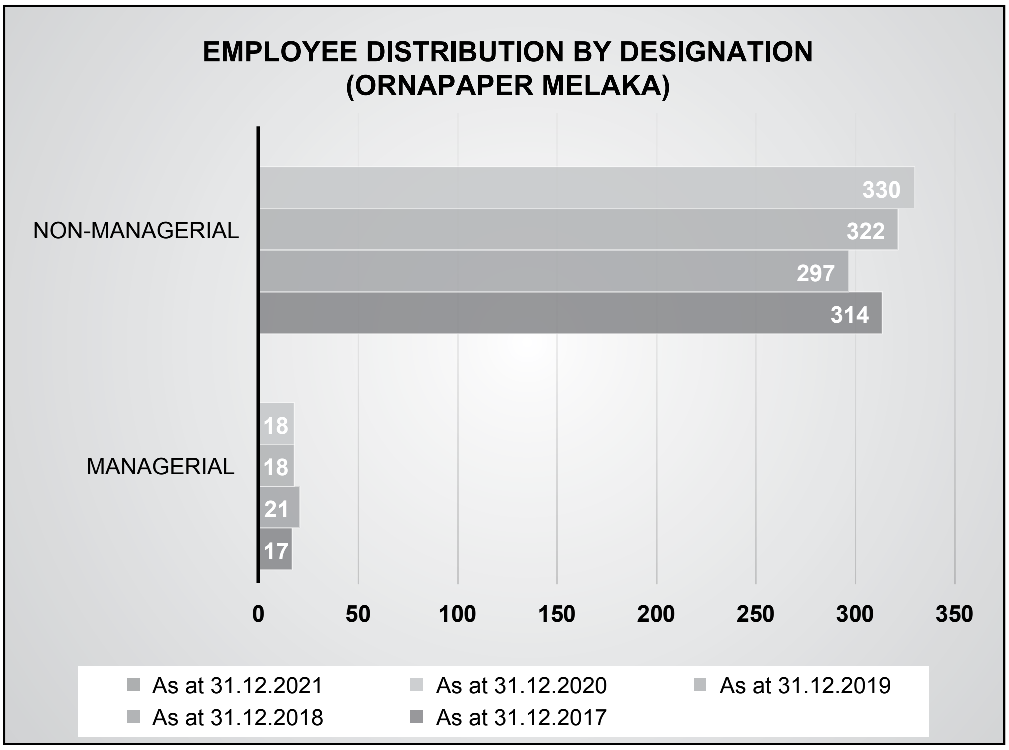

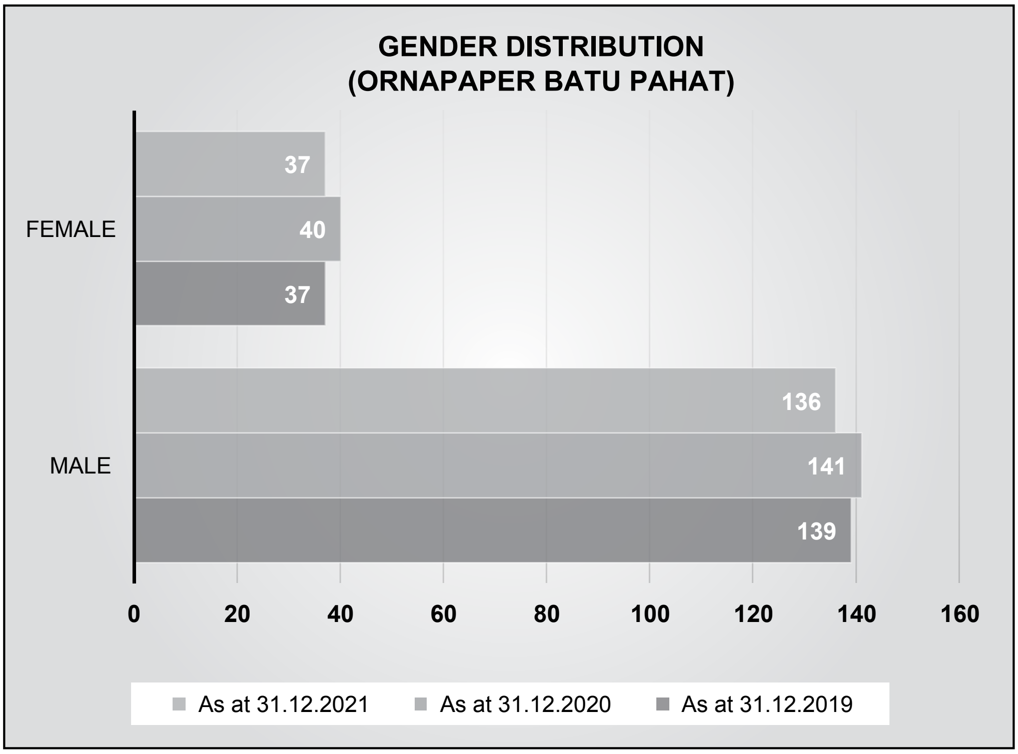

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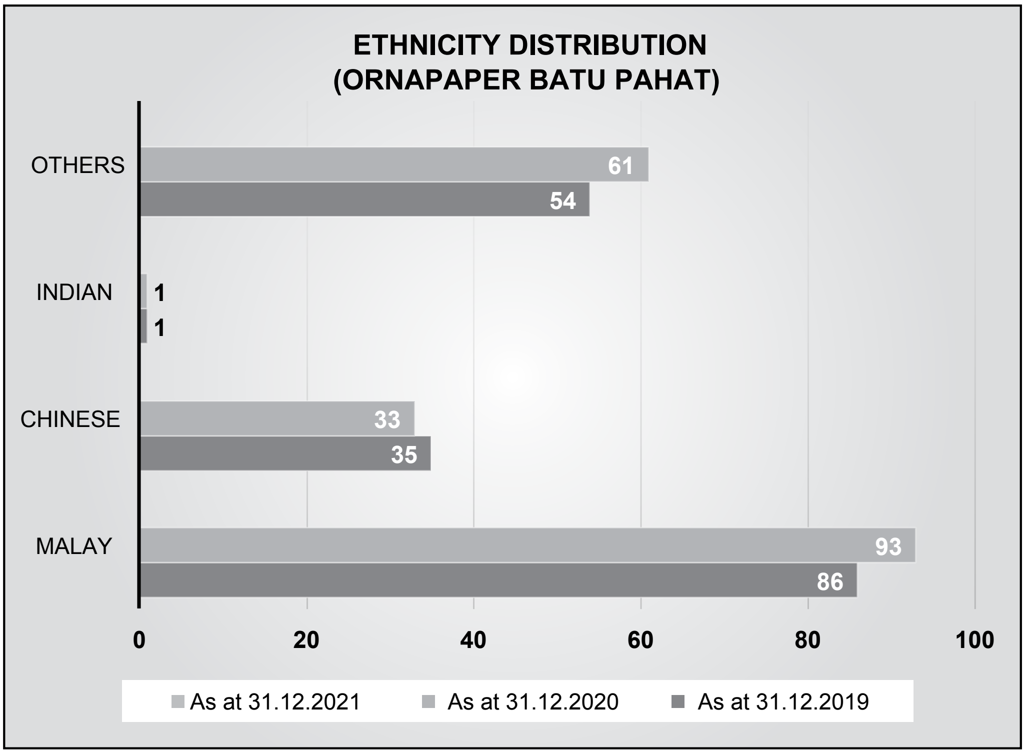

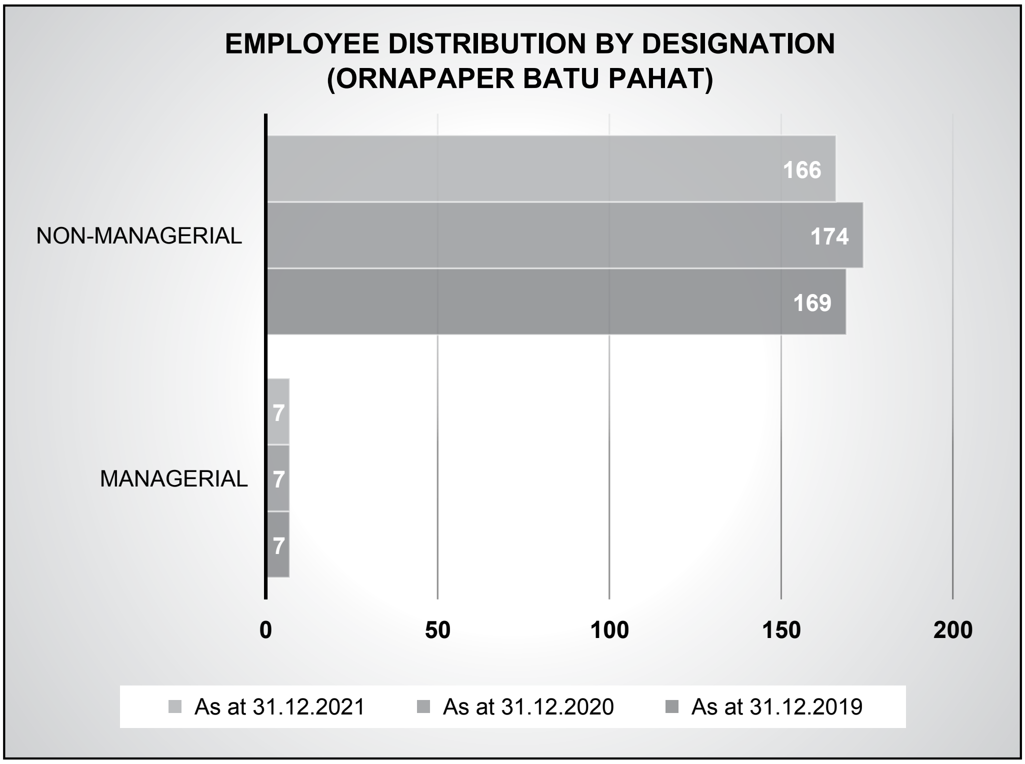

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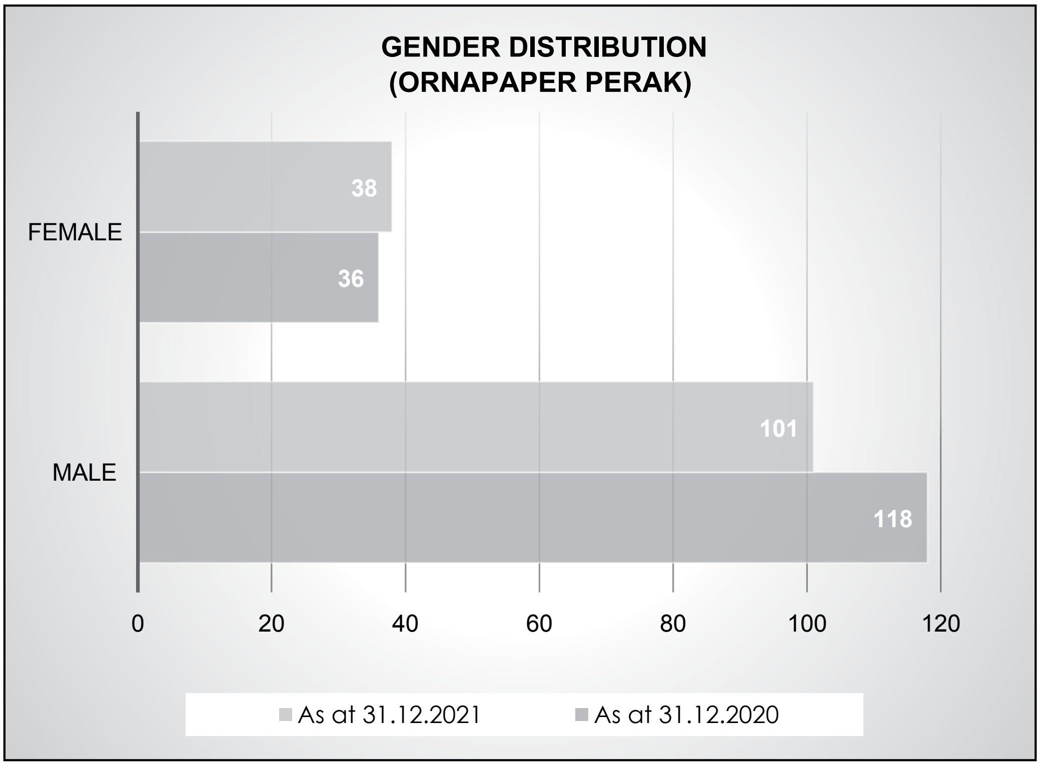

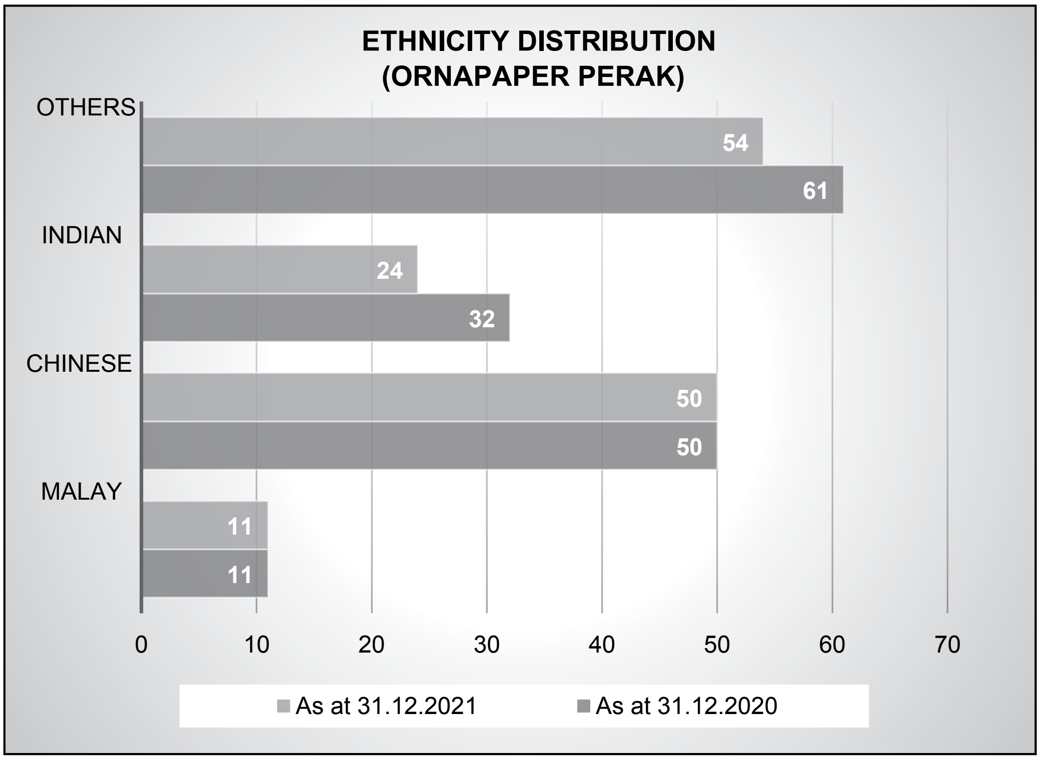

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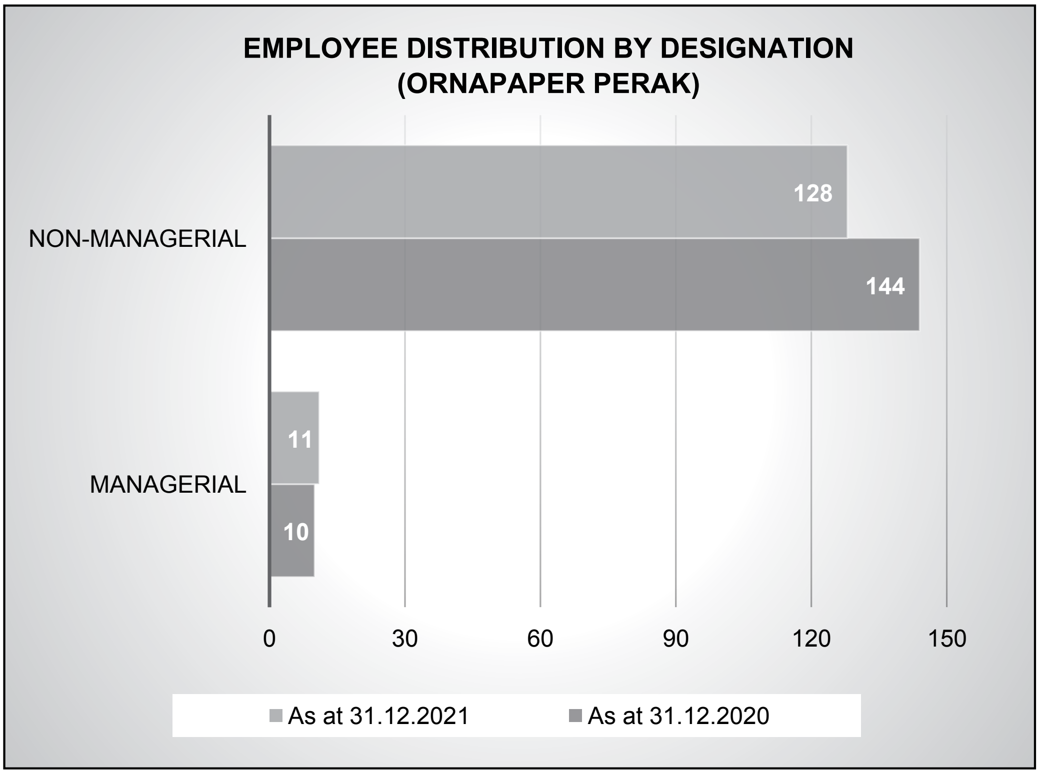

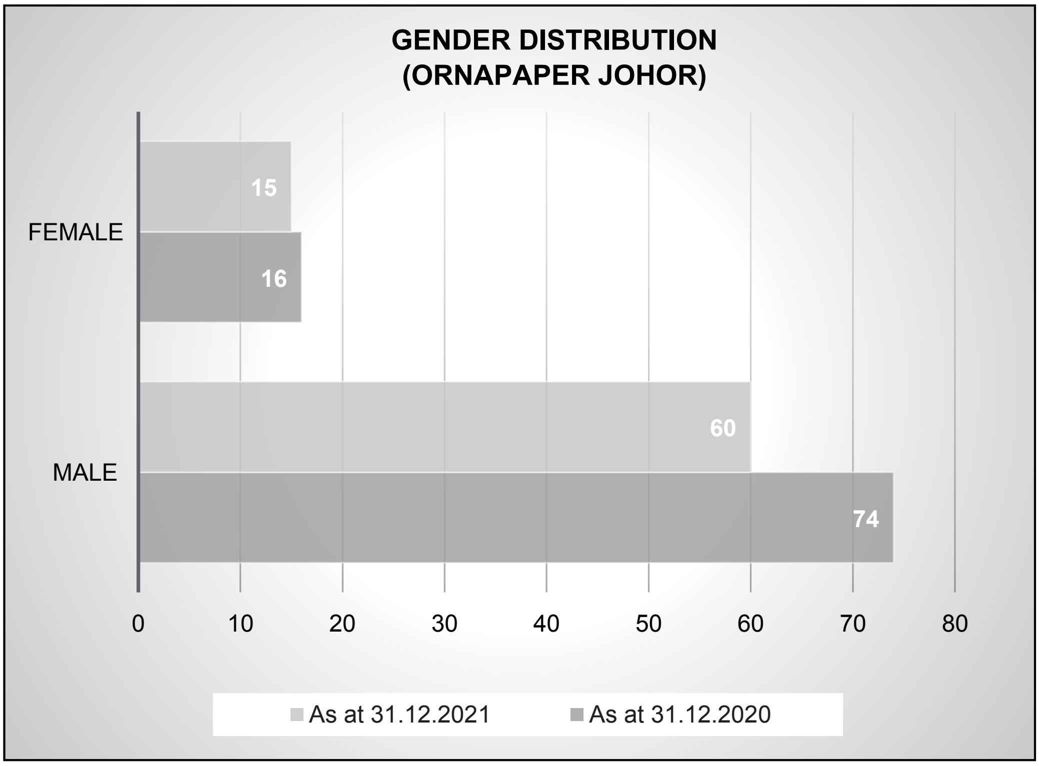

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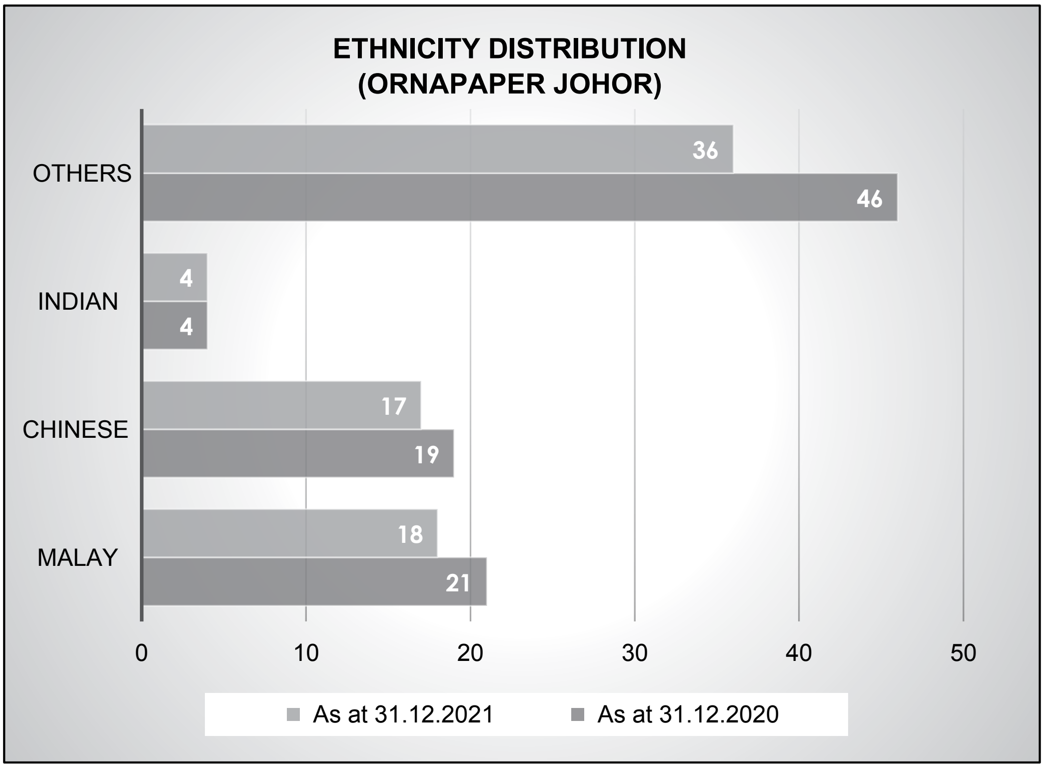

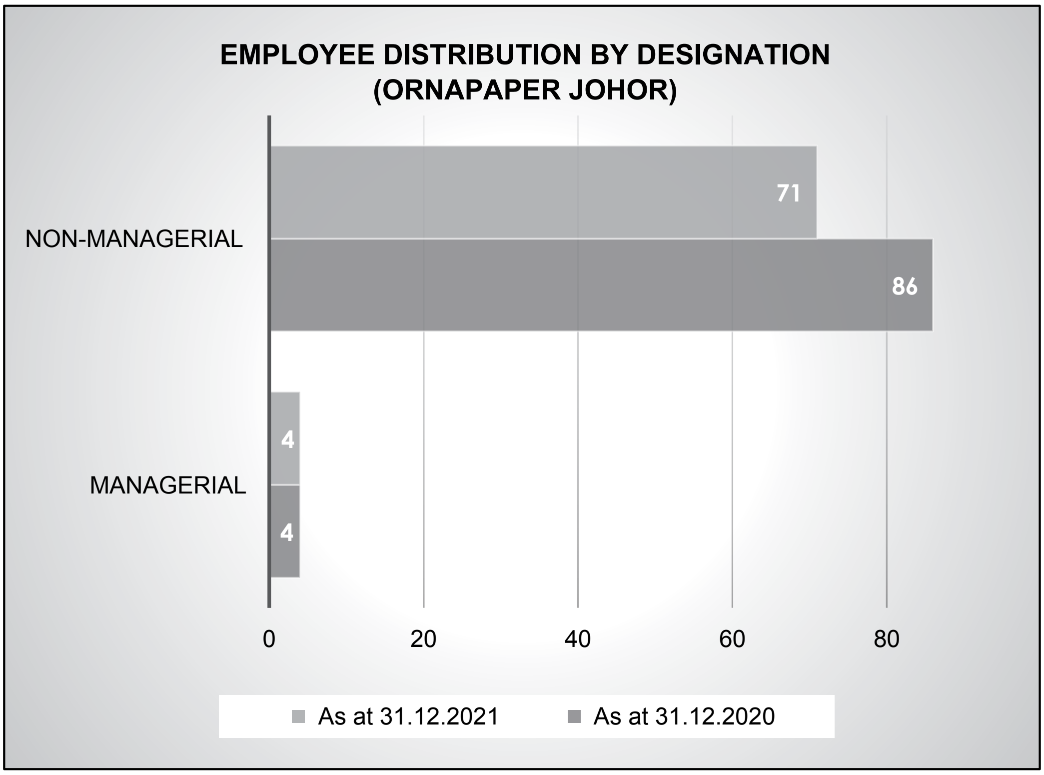

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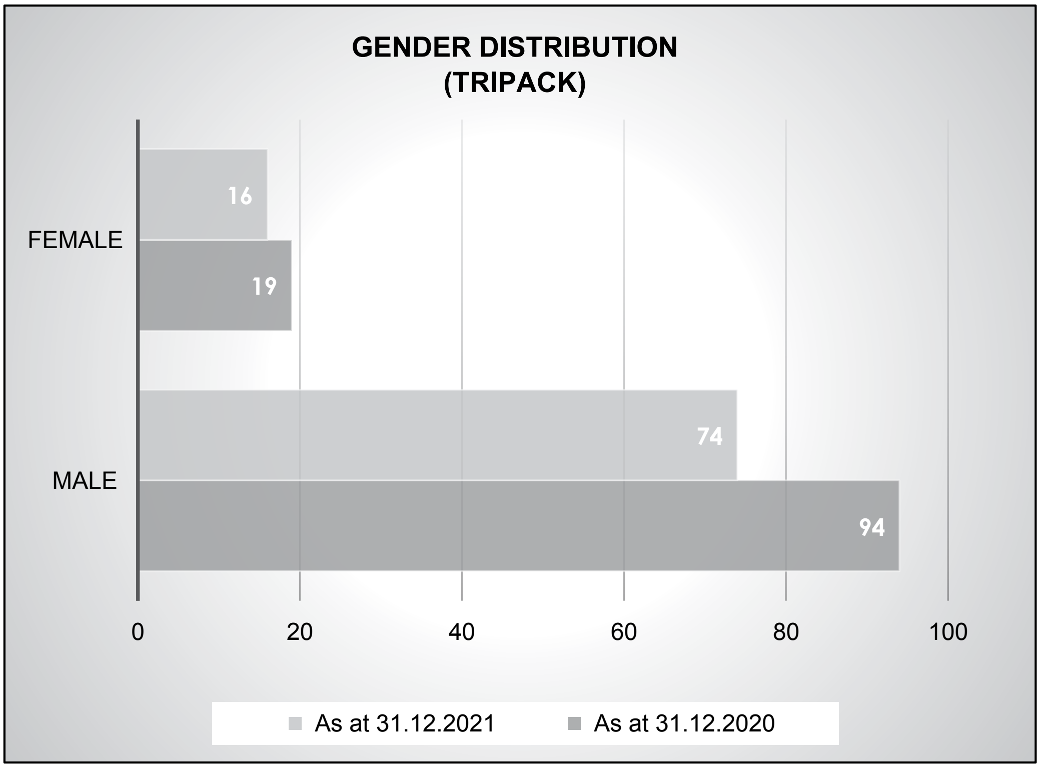

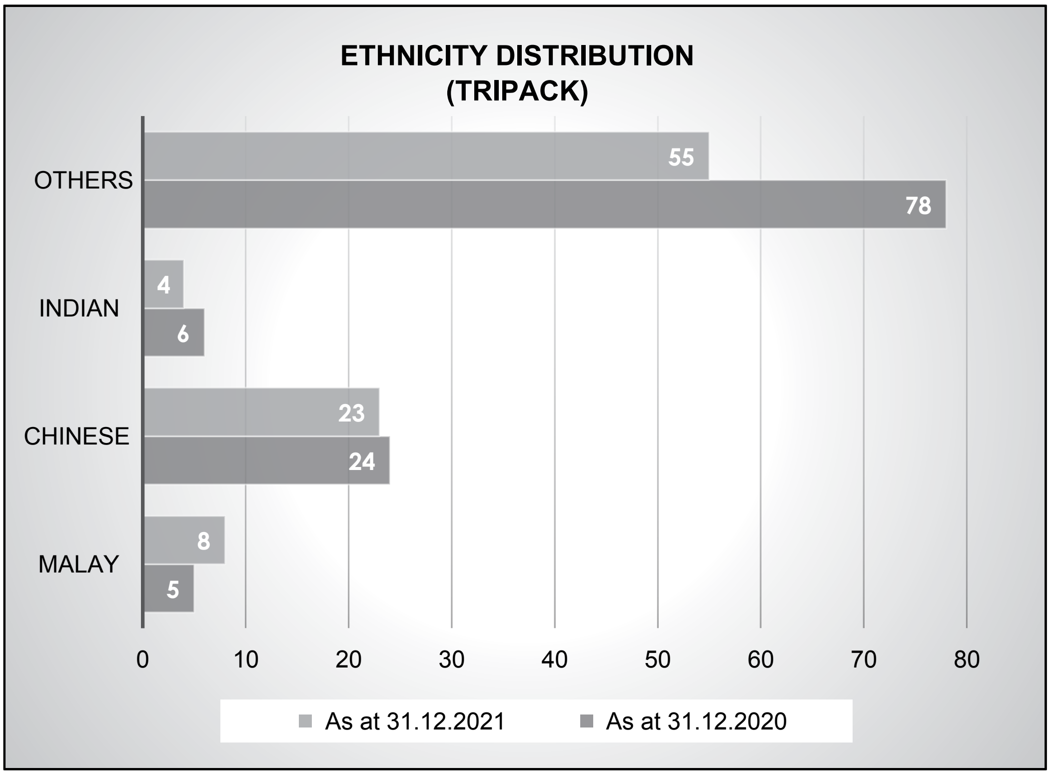

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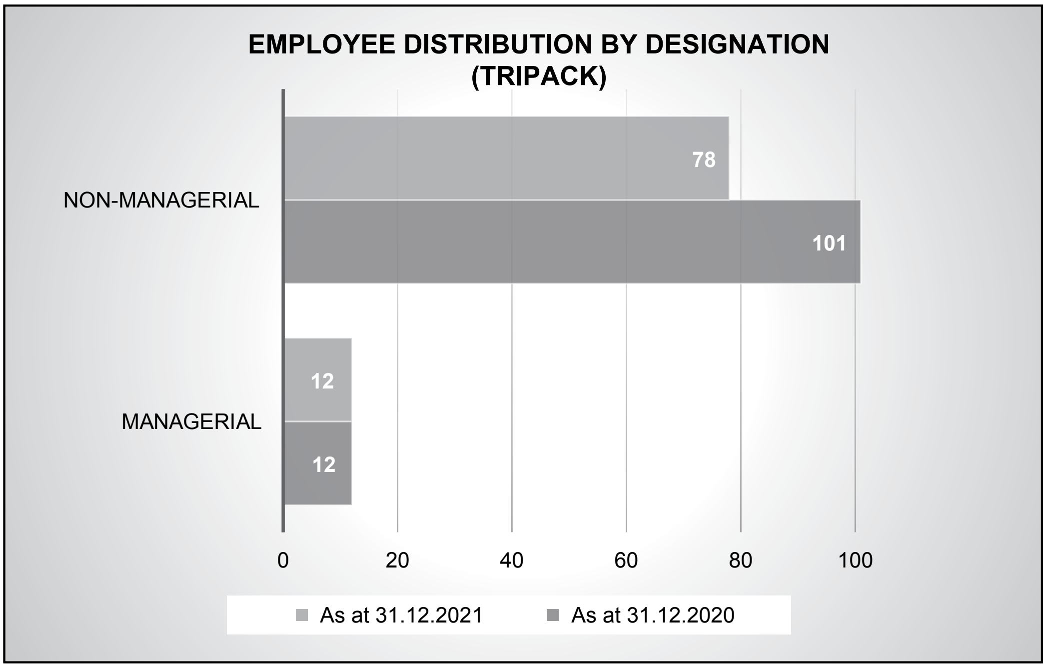


As a responsible corporate citizen, the Group strives to undertake sustainable and responsible practices to add value to the sustainable business growth, environmental stewardship and social responsibility. In fostering the aspect of social responsibility, in order to accord our people with their rights as an employee of the Group, the Group observes strict compliance with all applicable prevailing human resource and social related laws and regulations, such as The Federal Constitution of Malaysia, Employment Act and its regulations, Minimum Wages Order, Competition Act, Personal Data Protection Act, Minimum Retirement Age Act, Children and Young Persons Act, Workers' Minimum Standards of Housing and Amenities Act, Temporary Measures for Reducing The Impact of Coronavirus Disease 2019 (COVID-19) Act 2020, just to name a few important ones.

The Group is holding the integrity value close to its heart and walks the extra-mile to combat corruption and bribery practices throughout the Group and along the value chain. The Group is mindful of the importance of conducting businesses in responsible and transparent manner and is committed to behaving professionally and with integrity in our business dealings with our business associates which include but not limited to the customers, suppliers, agents and consultants. Pursuant to the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 with effective from 1 June 2020, the Group is continuously embarking on initiatives to ensure that adequate measures are in place as a defence mechanism based on the TRUST principle under the Guidelines on Adequate Procedures issued by the Prime Minister's Department.

To demonstrate an adequate level of top-level commitment, the Group's Anti Bribery and Corruption Framework is established to ensure the Group's compliance with the principle of zero-tolerance on any and all forms of gratification as well as applicable anti-bribery and corruption laws and regulations. The Group upholds highest standards of integrity in all business interactions and adopts a strict zero tolerance on any forms of bribery and corruption whereby all business dealings should be transparently performed and accurately reflected on records with monitoring and enforcement procedures being implemented to ensure the related compliance. Officers and employees who refuse to pay bribes or participate in acts of corruption will not be penalised even if such refusal may result in losing business.

Sustainability Statement

The core principle in relation to anti-bribery and corruption of the Group is enshrined in the Code of Conduct approved by the Board as well as the misconducts and conflicts of interest requirements as specified in the Employee Handbook and related human resources policies and procedures. Therefore, these have explicitly defined the expectations of the Board on each officer, employee as well as business associate to strictly comply with the terms of good business practices and to uphold high personal conduct and integrity. Besides, the Group continuously conducts awareness programs for all new and existing employees to refresh awareness of anti-bribery and anti-corruption measures, and to continuously promote integrity and ethics.

Furthermore, the Group recognises the importance of practicing lawful and ethical conducts in its business activities and is committed to comply with the ethical principles of transparency, integrity, objectivity and accountability in the conduct of its businesses and affairs at workplace. The Anti Bribery and Corruption Framework put in place enables stakeholders to report any concerns in relation to bribery and corruption confidently to the designated Compliance Officer through the anti-bribery and corruption management's incident reporting channel.

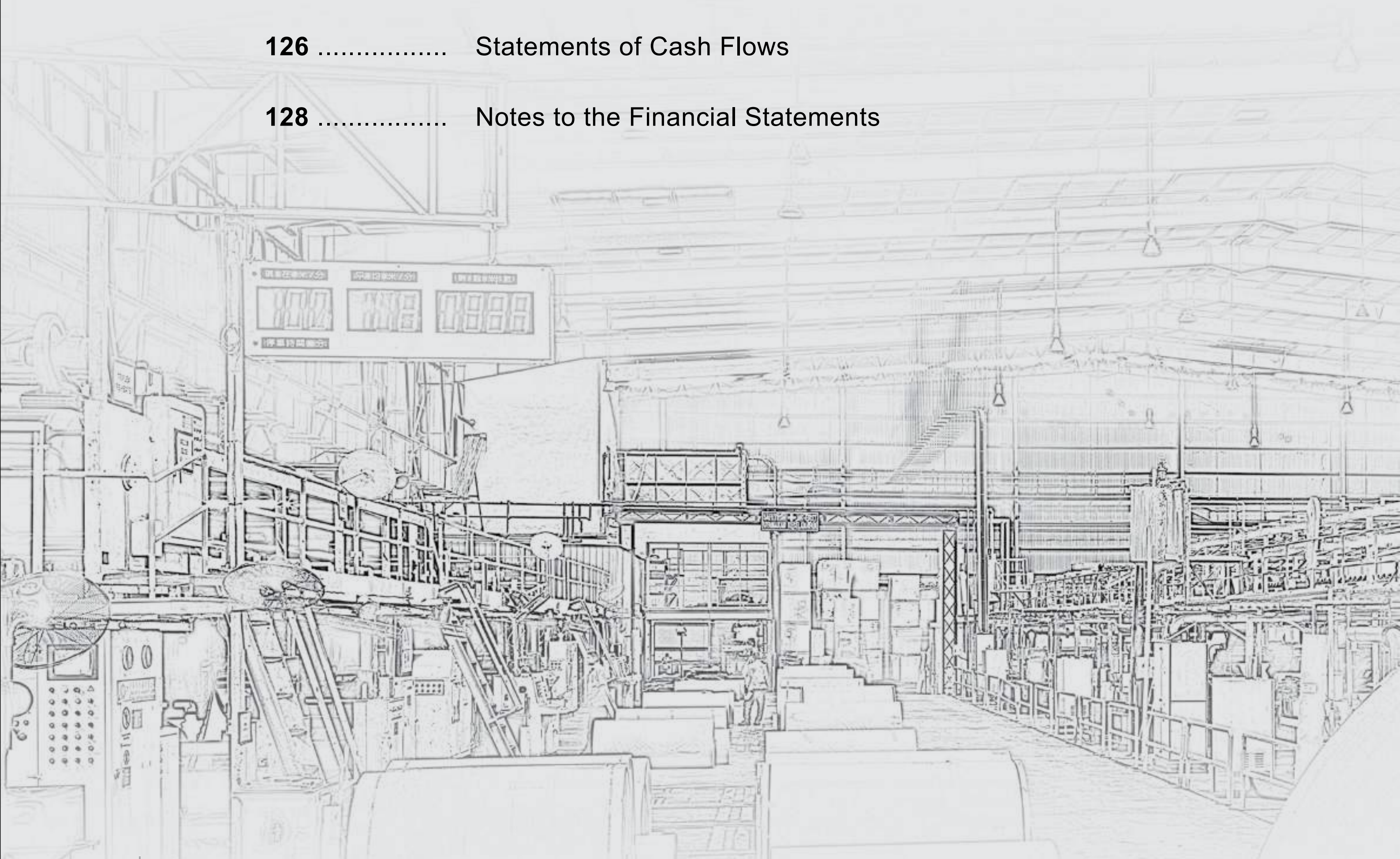
The Group has also put in place a Whistleblowing Policy which is approved by the Board and administered by the Audit Committee to support the Group's principles and code of conduct. A proper channel for whistleblowing is established to encourage whistle-blower (including anonymous disclosure) to report any inappropriate ethical behaviours and workplace grievances to the appropriate level of authority. The confidentiality of the identification of the whistle-blowers is to be strictly maintained and protected against reprisal, unless prohibited by law. This is part of the Group's efforts to establish and uphold impartiality in the workplace. There was zero incident of whistle blowing reported through the established whistle blowing channel and anti-bribery and corruption management's incident reporting channel during the financial year under review.

Lastly, the Group strongly emphasizes on being a responsible corporate citizen by giving back and investing in the community in which the Group operates to show its gratitude and appreciation for its success and growth. Its strategy is to generate sustainable value for both the community and economic growth through effective use of the Group's capabilities and resources as well as sharing of financial resources with local community for their developments. During the financial year, the Group have supported various community causes through corporate donations and community events. The Group is committed to continue investing in community programmes and other corporate social responsibility initiatives to contribute towards the betterment of local communities.

Beyond building sustainability in the business operations, we also recognise the importance of being responsible to the society by not only providing financial and non-financial support to the local communities and those in need, but also to share our knowledge base for the next generation for the community developments. We do offer internship programme to provide students with opportunities to work with us during their semester breaks and at the same time in fulfilling their internship requirements. Such internship programme is not only aimed to develop confidence and skill sets of the undergraduates for future job requirements but also to present the Group a ready source of new recruits for its business operations and business expansion.

During the financial year, the Group has contributed to the development of education of the young children in order to promote education and literacy in next generations which enable next generations to be well-educated and armed with relevant knowledge so that people's quality of life is improved, and sustainable development is enhanced. Our donations are not limited to only education but also to non-profit associations for the social and economic development initiatives. The Group respects and values long-term beneficial relationships with the communities where we operate and in the wider society in order to achieve sustainable business growth.

Financial Statements



Director's Report

Directors' report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

Principal activities

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	5,182	8
Attributable to:		
Owners of the Company	5,050	8
Non-controlling interest	132	-
	5,182	8

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than an impairment loss on property, plant and equipment, impairment loss on right-of-use assets and impairment loss on investment in a subsidiary as disclosed in Notes 12, 13 and 14 to the financial statements respectively.

Dividends

Dividends paid or declared by the Company since 31 December 2020 was as follows:

	RM'000
<u>In respect of the financial year ended 31 December 2020</u>	
Final single tier dividend of 3.25 sen per ordinary share, declared on 25 February 2021 and paid on 07 May 2021	2,410

The Company declared a final single tier dividend of 2 sen per ordinary share in respect of the current financial year 31 December 2021 to be paid on 20 May 2022 to shareholders whose names appeared in the records of depositors on 5 May 2022. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

Director's Report

Directors

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Sai Han Siong
Sai Chin Hock
Sai Ah Sai
Datuk Adillah binti Ahmad Nordin
Siow Kee Yen
Tan Chin Hwee
Ang Kwee Teng (Resigned on 22 December 2021)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Fong Yew Teck
Pong Hee Kit
Foo Chee Juin

Directors' interests

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	Number of ordinary shares			
	At 1.1.2021	Bought	Sold	At 31.12.2021
The Company				
Direct interest				
Sai Han Siong	15,000	-	-	15,000
Siow Kee Yen	30,500	-	-	30,500
Datuk Adillah binti Ahmad Nordin	34,000	-	-	34,000
Sai Ah Sai	120,000	-	-	120,000
Indirect interest				
Sai Chin Hock #	23,153,198	-	(459,324)	22,693,874
Sai Han Siong #	23,276,198	-	-	23,276,198
Sai Ah Sai #	24,340,698	-	-	24,340,698

 # Deemed interested by virtue of shares held by companies in which the respective directors have significant influence and by virtue of the respective directors' spouse, son's and father's shareholdings in the Company.

By virtue of their shareholdings in the Company, Sai Chin Hock, Sai Han Siong and Sai Ah Sai are deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other director holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

Director's Report

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivables by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any benefits which may be deemed to arise from transactions entered into the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 31(b) to the financial statements.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Directors' remuneration

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 32(a) to the financial statements.

Indemnity and insurance cost

The Company maintains a Directors' and Officers' Liability Insurance Policy on a group basis. During the financial year, the amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Group were RM500,000 and RM2,544 respectively.

Issues of shares and debentures

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

Treasury shares

As at 31 December 2021, the Company held as treasury shares a total of 1,098,445 of its 75,250,601 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM540,700. The details of the treasury shares are disclosed in Note 23(b) to the financial statements.

Options granted over unissued shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

Director's Report

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

Other statutory information

(a) Before the financial statement of the Group and of the Company were made out, the directors took reasonable steps:

  (i) ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for impairment losses on receivables and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) writing off of bad debts or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company are required; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year that secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

Director's Report

Other statutory information (continued)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant event during the financial year and subsequent event

The significant event during the financial year and subsequent event is disclosed in Note 36 to the financial statements.

Auditors

The auditors, Crowe Malaysia PLT have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 8 to the financial statements.

Signed in accordance with a resolution of the directors dated 19 April 2022.

Sai Chin Hock **Sai Han Siong**

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Sai Han Siong and Sai Chin Hock, being two of the directors of Ornapaper Berhad, state that, in the opinion of the directors, the financial statements set out on pages 121 to 187 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 19 April 2022.

Sai Chin Hock **Sai Han Siong**

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Sai Han Siong, being the director primarily responsible for the financial management of Ornapaper Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 121 to 187 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Sai Han Siong, NRIC Number: 700507-71-5425
at Melaka
in the State of Melaka
on this 19 April 2022

Sai Han Siong

Before me,

SHAHRIZAH BINTI YAHYA (NO. M084)
Commissioner for Oaths

Independent Auditors' Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ornapaper Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 121 to 187.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

Key audit matters (continued)

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter Revenue Recognition (Refer to Page 147, Note 4 to the financial statements)	**How our audit addressed the key audit matter**
Consolidated revenue recorded by the Group during the year amounted to approximately RM316 million. We consider revenue recognition for sale of goods to be a potential cause for higher risk of material misstatement from the perspective of timing of recognition and the amount of revenue recognised. Accordingly, we regard revenue recognition to be a key audit matter.	Our procedures included, amongst others: • testing the operating effectiveness of internal control over the completeness, accuracy, and timing of revenue recognised in the financial statements; • reviewing the terms of material sales contracts and purchase order to determine the point of control transfer to the customers on a sampling basis; • testing the recording of sales transactions, revenue cut-off and review of credit notes after year end; and • obtaining confirmations from trade receivables as at the financial year end on sampling basis and reviewing collections relating to material trade receivables during and after the financial year end.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report

Auditors' responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Piong Yew Peng
03070/06/2023 J
Chartered Accountant

Melaka

19 April 2022

Statements of Profit or Loss and other Comprehensive Income

For the financial year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	4	316,354	313,398	3,950	2,644
Cost of goods sold		(279,899)	(264,226)	-	-
Gross profit		36,455	49,172	3,950	2,644
Other income	5	3,056	2,511	48	79
Administrative expenses		(16,372)	(15,110)	(334)	(353)
Selling and marketing expenses		(4,640)	(5,044)	-	(10)
Other expenses		(2,325)	(1,094)	(3,646)	(2,286)
Other general expenses		(6,605)	(6,519)	-	-
Operating profit		9,569	23,916	18	74
Finance costs	6	(2,503)	(3,521)	-	-
Net reversal of impaiment losses/ (Net impairment losses) on financial assets	7	440	(287)	-	-
Profit before taxation	8	7,506	20,108	18	74
Income tax expense	10	(2,324)	(5,532)	(10)	(18)
Profit after taxation		5,182	14,576	8	56
Other comprehensive income		-	-	-	-
Total comprehensive income		5,182	14,576	8	56
Profit after taxation attributable to:					
Owners of the Company		5,050	14,425	8	56
Non-controlling interest		132	151	-	-
		5,182	14,576	8	56
Total comprehensive income attributable to:					
Owners of the Company		5,050	14,425	8	56
Non-controlling interest		132	151	-	-
		5,182	14,576	8	56
Earnings per share attributable to owners of the Company (sen)					
Basic	11	6.8	19.5		
Diluted	11	6.8	19.5		

The annexed notes form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	78,352	86,923	-	-
Right-of-use assets	13	26,392	28,633	-	-
Investment in subsidiaries	14	-	-	97,849	101,431
Goodwill	15	1,633	1,633	-	-
Deferred tax assets	16	-	25	-	-
		106,377	117,214	97,849	101,431
Current assets					
Inventories	17	67,779	52,495	-	-
Right of return assets	18	195	261	-	-
Trade receivables	19	78,430	79,779	-	-
Other receivables, deposits and prepayments	20	8,123	3,237	1,147	291
Current tax assets		1,522	6	3	-
Derivative assets	21	3	-	-	-
Deposits with licensed banks	22	4,475	6,823	3,284	3,228
Cash and bank balances		54,095	59,629	588	325
		214,622	202,230	5,022	3,844
Total assets		320,999	319,444	102,871	105,275
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	23(a)	86,407	86,407	86,407	86,407
Treasury shares	23(b)	(541)	(541)	(541)	(541)
Retained earnings		104,301	101,661	16,960	19,362
		190,167	187,527	102,826	105,228
Non-controlling interest	14	1,741	1,677	-	-
Total equity		191,908	189,204	102,826	105,228
Non-current liabilities					
Loans and borrowings	24	820	1,948	-	-
Lease liabilities	25	5,019	6,880	-	-
Deferred tax liabilities	16	10,448	8,776	-	-
		16,287	17,604	-	-

The annexed notes form an integral part of these financial statements.

Statements of Financial Position

As at 31 December 2021 (Continued)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current liabilities					
Trade payables	26	28,959	25,236	-	-
Other payables and accruals	27	13,116	16,872	45	45
Refund liabilities	18	602	758	-	-
Loans and borrowings	24	65,625	62,197	-	-
Bank overdrafts	28	1,087	1,436	-	-
Lease liabilities	25	3,386	3,464	-	-
Derivative liabilities	21	-	9	-	-
Current tax liabilities		29	2,664	-	2
		112,804	112,636	45	47
Total liabilities		129,091	130,240	45	47
Total equity and liabilities		320,999	319,444	102,871	105,275

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2021

	Note	|-- Non-distributable --| Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
Group							
Balance at 1 January 2020		86,407	(541)	89,461	175,327	1,661	176,988
Profit after taxation representing total comprehensive income for the financial year		-	-	14,425	14,425	151	14,576
		86,407	(541)	103,886	189,752	1,812	191,564
Contributions by and distributions to owners of the Company:							
- Dividends:							
- by the Company	29	-	-	(2,225)	(2,225)	-	(2,225)
- by subsidiary to non-controlling interest		-	-	-	-	(135)	(135)
		-	-	(2,225)	(2,225)	(135)	(2,360)
Balance at 31 December 2020 / 1 January 2021		86,407	(541)	101,661	187,527	1,677	189,204
Profit after taxation representing total comprehensive income for the financial year		-	-	5,050	5,050	132	5,182
		86,407	(541)	106,711	192,577	1,809	194,386
Contributions by and distributions to owners of the Company:							
- Dividends:							
- by the Company	29	-	-	(2,410)	(2,410)	-	(2,410)
- by subsidiary to non-controlling interest		-	-	-	-	(68)	(68)
		-	-	(2,410)	(2,410)	(68)	(2,478)
Balance at 31 December 2021		86,407	(541)	104,301	190,167	1,741	191,908

The annexed notes form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2021 (continued)

		Non-distributable		Distributable	
	Note	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company					
Balance at 1 January 2020		86,407	(541)	21,531	107,397
Profit after taxation representing total comprehensive income for the financial year		-	-	56	56
Dividend	29	-	-	(2,225)	(2,225)
Balance at 31 December 2020/1 January 2021		86,407	(541)	19,362	105,228
Profit after taxation representing total comprehensive expenses for the financial year		-	-	8	8
Dividend	29	-	-	(2,410)	(2,410)
Balance at 31 December 2021		86,407	(541)	16,960	102,826

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2021

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Operating activities				
Profit before taxation	7,506	20,108	18	74
Adjustments for:				
Bad debts written off	-	13	-	-
Deposit written off	-	147	-	-
Depreciation and amortisation:				
- Property, plant and equipment	13,356	14,029	-	-
- Right-of-use assets	3,129	2,832	-	-
Effect of changes on lease termination	(27)	-	-	-
Fair value changes on derivatives	(12)	5	-	-
Gain on disposal of plant and equipment	(153)	(46)	-	-
(Gain)/Loss on disposal of right-of-use assets	(4)	4	-	-
Property, plant and equipment written off	4	70	-	-
Inventories written down	-	984	-	-
Impairment losses on investment in a subsidiary	-	-	3,582	2,228
Impairment losses on plant and equipment	1,244	800	-	-
Impairment losses on right-of-use assets	1,000	-	-	-
Impairment losses on trade receivables	26	559	-	-
Reversal of impairment losses on:				
- Trade receivables	(358)	(92)	-	-
- Other receivables	(108)	(180)	-	-
Reversal of inventories previously written down	(165)	-	-	-
Unrealised loss/(gain) on foreign exchange	5	(8)	-	-
Other interest expense	1,409	2,238	-	-
Interest expense on lease liabilities	521	658	-	-
Interest income	(960)	(1,122)	(48)	(79)
	18,907	20,891	3,534	2,149
Operating cash flows before changes in working capital	26,413	40,999	3,552	2,223
(Increase)/Decrease in inventories and right of return assets	(15,053)	670	-	-
Decrease/(Increase) in trade and other receivables	1,950	(2,896)	(856)	(262)
Decrease in refund liabilities	(156)	(4)	-	-
Increase in trade and other payables	2,295	5,125	-	-
	(10,964)	2,895	(856)	(262)
Cash from operations	15,449	43,894	2,696	1,961
Income tax paid	(4,778)	(4,884)	(15)	(17)
Net cash from operating activities	10,671	39,010	2,681	1,944

The annexed notes form an integral part of these financial statements.

Statements of Cash Flows

For the financial year ended 31 December 2021 (Continued)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows for investing activities					
Purchase of property, plant and equipment	30(a)	(13,778)	(13,379)	-	-
Purchase of right-of-use asset	30(b)	-	(20)	-	-
Interest received		960	1,122	48	79
Proceeds from disposal of property, plant and equipment		523	441	-	-
Proceeds from disposal of right-of-use assets		38	78	-	-
Withdrawal/(Placement) of fixed deposits with tenure more than 3 months		2,414	(3,605)	(14)	(1,177)
(Increase)/Decrease in pledged fixed deposits with licensed banks		(66)	1,056	(42)	1,098
Net cash for investing activities		(9,909)	(14,307)	(8)	-
Cash flow for financing activities					
Interest paid	30(e)	(1,930)	(2,896)	-	-
Dividends paid	29	(2,410)	(2,225)	(2,410)	(2,225)
Dividend paid to non-controlling interest		(68)	(135)	-	-
Drawdown of term loans	30(e)	-	620	-	-
Drawdown of lease liabilities	30(e)	-	4,511	-	-
Net drawdown of bankers' acceptances	30(e)	3,438	112	-	-
Repayment of term loans	30(e)	(1,132)	(794)	-	-
Repayment of lease liabilities	30(e)	(3,834)	(3,381)	-	-
Net (repayment)/drawdown of charge card	30(e)	(6)	145	-	-
Net cash for financing activities		(5,942)	(4,043)	(2,410)	(2,225)
Net (decrease)/increase in cash and cash equivalents		(5,180)	20,660	263	(281)
Effect of exchange rate changes on cash and cash equivalents		(5)	8	-	-
Cash and cash equivalents at beginning of the financial year		58,193	37,525	325	606
Cash and cash equivalents at end of the financial year	30(c)	53,008	58,193	588	325

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2021

1. Corporate information

The Company is a public limited liability company and is incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business is located at No. 8998, Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka, Malaysia.

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 19 April 2022.

2. Basis of preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRS and/or IC Interpretation (Including The Consequential Amendments)

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2

The adoption of the above accounting standard and/or interpretation (including the consequential amendments, if any) did not have any material impact on the Company’s financial statements.

2.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Notes to the Financial Statements

For the financial year ended 31 December 2021

2. Basis of preparation (continued)

2.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year (continued):-

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

3. Significant accounting policies

3.1 Critical accounting estimates and judgements

Key sources of estimation uncertainty

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. Significant accounting policies (continued)

3.1 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(b) Impairment of goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(d) Impairment of trade receivable

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales (including changes in the customer payment profile in response to the COVID-19 pandemic) and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

(e) Impairment of property, plant and equipment and right-of-use assets

The Group determines whether an item of its property, plant and equipment and right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates which are subject to higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in markets in which the Group operates.

(f) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting policies (continued)

3.1 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(g) Estimating variable consideration for returns and discounts

The Group estimates variable considerations to be included in the transaction price for the sale of goods with right of returns and discounts.

The Group developed a statistical model for forecasting sales returns and discounts. The model used the historical return and discount data of each product to come up with expected return and discount percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return and discount percentages estimated by the Group.

The Group updates its assessment of expected returns and discounts annually and the refund liabilities are adjusted accordingly. Estimates of expected returns and discounts are sensitive to changes in circumstances and the Group's past experience regarding returns and discounts entitlements may not be representative of customers' actual returns entitlements in the future.

(h) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits.

Critical judgements made in applying accounting policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3. Significant accounting policies (continued)

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

(c) Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

(d) Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting policies (continued)

3.4 Functional and foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into RM on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

3.5 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

(a) Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt instruments

(i) Amortised cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

(a) Financial assets (continued)

Equity instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial liabilities

(i) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

3. **Significant accounting policies (continued)**

3.5 Financial instruments (continued)

(c) Equity instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

(d) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risk and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

3.6 Investments in subsidiaries

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2021

3. Significant accounting policies (continued)

3.7 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Factory buildings	20 to 60 years
Plant and machinery	5 to 20 years
Other assets	5 to 10 years

Asset-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

3. Significant accounting policies (continued)

3.8 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined as follows:-

Leasehold land	Over the lease period of 35 to 99 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 5 years
Factory buildings	2 to 4 years
Hostels	1 to 7 years (2020 - 1 to 8 years)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on the normal capacity of the production facilities.

3. Significant accounting policies (continued)

3.9 Inventories(continued)

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.11 Impairment

(a) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12- month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

3. Significant accounting policies (continued)

3.11 Impairment (continued)

(b) Impairment of non-financial assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

3.13 Employee benefits

(a) Short-term benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

3. Significant accounting policies (continued)

3.13 Employee benefits (continued)

(b) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

3.14 Income taxes

(a) Current tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

3. Significant accounting policies (continued)

3.15 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.16 Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held.

3.17 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.18 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3. Significant accounting policies (continued)

3.19 Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sale of goods

Revenue is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Right of return

Certain sales of goods include a right of return. Revenue from these sales is recognised based on the price specified in the contract, net of estimated return. Past experience is used to estimate and provide for the return, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for the expected return payable to customers in relation to sales made until the end of the reporting period.

3. Significant accounting policies (continued)

3.19 Revenue from contracts with customers (continued)

(a) Sale of goods (continued)

Volume and cash discounts

The Group provided retrospective volume discounts to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group also provides cash discounts to certain customers when early settlement made within credit term. Discount are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Group applies the most likely amount method for contracts with expected value method. The Group then recognised a refund liability for the expected future rebates.

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updated its estimated of refund liabilities (and the corresponding change in the transaction price) at the end of the financial year.

(b) Transportation fees

Transportation fees are recognised when services are rendered.

3.20 Revenue from other sources and other operating income

(a) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to leases are recognised as a reduction of rental income over the lease term on a straight-line basis.

4. Revenue

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue from contracts with customers:				
Sale of goods	315,875	312,901	-	-
Transportation fees	479	497	-	-
Revenue from other sources:				
Dividend income from subsidiaries	-	-	3,950	2,644
	316,354	313,398	3,950	2,644

The information on the disaggregation of revenue from contracts with customers are disclosed below:

	Group: Corrugated board and carton RM'000	Paper stationery product RM'000	Transportation service RM'000	Total RM'000
2021				
Revenue recognised at a point in time				
Paper industry	69,922	15,388	-	85,310
Furniture, rubber, hardware and steel	80,512	-	-	80,512
Food based, beverage and tobacco	67,485	-	-	67,485
Electronic and electrical	44,909	-	-	44,909
Others	37,659	-	479	38,138
	300,487	15,388	479	316,354
2020				
Revenue recognised at a point in time				
Paper industry	70,187	20,600	-	90,787
Furniture, rubber, hardware and steel	84,764	-	-	84,764
Food based, beverage and tobacco	63,988	-	-	63,988
Electronic and electrical	40,749	-	-	40,749
Others	32,613	-	497	33,110
	292,301	20,600	497	313,398

Notes to the Financial Statements

For the financial year ended 31 December 2021

5. Other income

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of plant and equipment	170	46	-	-
Gain on disposal of right-of-use assets	4	-	-	-
Effect of changes on lease termination	27	-	-	-
Fair value gain on derivatives	12	-	-	-
Insurance claims	50	24	-	-
Interest income measured at amortised cost:				
- bank balances	910	1,042	48	79
- deposits with licensed banks	50	80	-	-
Realised gain on foreign exchange	234	228	-	-
Unrealised gain on foreign exchange	-	8	-	-
Sales of scrap materials	316	110	-	-
Lease income:				
- right-of-use assets	41	29	-	-
Wages subsidy received	1,032	748	-	-
Miscellaneous	210	196	-	-
	3,056	2,511	48	79

6. Finance costs

	Group	
	2021	2020
	RM'000	RM'000
Bankers' acceptances commission	572	624
Commitment fee	1	1
Interest expense on financial liabilities that are not at fair value through profit or loss:		
- bank overdrafts interest	52	36
- bankers' acceptances interest	1,233	2,026
- term loans interest	124	176
Interest expense on lease liabilities (Note 25)	521	658
	2,503	3,521

Notes to the Financial Statements

For the financial year ended 31 December 2021

7. (Net reversal of impairment losses)/Net impairment losses on financial assets

	Group 2021 RM'000	Group 2020 RM'000
Impairment losses on:		
- trade receivables (Note 19)	26	559
Reversal of impairment losses on:		
- trade receivables (Note 19)	(358)	(92)
- other receivables (Note 20)	(108)	(180)
	(440)	287

8. Profit before taxation

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- Audit fees				
- auditor of the Company				
- Current year	135	135	40	40
- other auditors				
- Current year	61	58	-	-
- Underprovision in prior year	4	4	-	-
- Non-audit fees				
- auditor of the Company	5	5	5	5
- member firm of the auditors of the Company	35	26	-	-
- other auditors	18	17	-	-
Bad debts written off	-	13	-	-
Carriage inwards and outwards	13,024	14,230	-	-
Depreciation:				
- Property, plant and equipment (Note 12)	13,356	14,029	-	-
- Right-of-use assets (Note 13)	3,129	2,832	-	-
Deposit written off	-	147	-	-
Directors' remuneration (Note 32(a))	3,282	3,285	203	241
Employee benefits expense (Note 9)	33,306	33,705	-	-
Fair value changes on derivatives	-	5	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2021

8. Profit before taxation (continued)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) (continued):-				
Impairment losses:				
- investment in a subsidiary	-	-	3,582	2,228
- property, plant and equipment (Note 12)	1,244	800	-	-
- right-of-use assets (Note 13)	1,000	-	-	-
(Reversal of inventories previously written down)/Inventories written down	(165)	984	-	-
Lease expense:				
- Short-term lease	503	451	-	-
- Low-value assets	24	30	-	-
Property, plant and equipment written off	4	70	-	-
Loss on disposal of right-of-use assets	-	4	-	-
Loss on disposal of property, plant and equipment	17	-	-	-
Realised loss on foreign exchange	41	140	-	-
Unrealised loss on foreign exchange	5	-	-	-

9. Employee benefits expense

	Group	
	2021	2020
	RM'000	RM'000
Short-term employee benefits	30,138	30,672
Defined contributions benefits	2,629	2,596
Other benefits	539	437
Total employee benefits expense (Note 8)	33,306	33,705

Included in employee benefits expense of the Group are key management personnel compensation amounting to RM1,303,000 (2020: RM1,313,000) as further disclosed in Note 32(b) to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2021

10. Income tax expense

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax:				
- Current year	2,330	6,727	11	18
- (Over)/Under provision in previous financial year	(1,703)	191	(1)	-
	627	6,918	10	18
Deferred tax (Note 16):				
- Origination and reversal of temporary differences	706	(1,202)	-	-
- Under/(Over) provision in previous financial year	991	(184)	-	-
	1,697	(1,386)	-	-
Total income tax expense	2,324	5,532	10	18

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax	7,506	20,108	18	74
Taxation at 24% (2020: 24%)	1,801	4,826	4	18
Tax effect of:				
- Non-deductible expenses	351	479	955	635
- Non-taxable income	(5)	-	(948)	(635)
Deferred tax assets not recognised during the financial year	889	220	-	-
(Over)/Under provision in previous financial year				
- Income tax	(1,703)	191	(1)	-
- Deferred tax	991	(184)	-	-
Income tax expense recognised in profit or loss	2,324	5,532	10	18

10. Income tax expense (continued)

At the end of the reporting period, the Group has unutilised capital allowances and unused tax losses as following amounts which are available for offset against future taxable income:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Unused tax losses		
- expires years of assessment 2028	367	367
- expires years of assessment 2029	483	371
- expires years of assessment 2030	1,048	-
Unutilised capital allowances	2,381	1,535
	4,279	2,273

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	Group	
	2021	**2020**
	RM'000	**RM'000**
Unutilised capital allowances	2,312	773
Unused tax losses	1,898	-
Other temporary differences	872	726
	5,082	1,499

The unused tax losses are allowed to be carried forward for a maximum period of 10 (2020: 7) consecutive years of assessment. The unutilised capital allowances do not expire under the current tax legislation and can be utilised against income from the same business source, subject to no substantial change in shareholders of the subsidiaries.

11. Earnings per share

	Group	
	2021	2020
Profit attributable to owners of the parent (RM'000)	5,050	14,425
Weighted average number of ordinary shares in issue ('000)*	74,153	74,153
Basic earnings per share (sen)	6.8	19.5
Diluted earnings per share (sen) #	6.8	19.5

* The weighted average number of shares takes into account the weighted average effect of treasury shares.

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

12. Property, plant and equipment

	At 1.1.2021 RM'000	Additions (Note 30(a)) RM'000	Disposals RM'000	Written off RM'000	Reclassification RM'000	Impairment losses (Note 8) RM'000	Depreciation charges (Note 8) RM'000	At 31.12.2021 RM'000
The Group								
2021								
Carrying amount								
Factory buildings	28,494	666	-	-	-	-	(1,253)	27,907
Plant and machinery	48,267	4,520	(324)	-	2,555	(1,244)	(10,888)	42,886
Other assets	3,733	861	(46)	(4)	-	-	(1,215)	3,329
Assets in progress	6,429	356	-	-	(2,555)	-	-	4,230
	86,923	6,403	(370)	(4)	-	(1,244)	(13,356)	78,352

	At 1.1.2020 RM'000	Additions (Note 30(a)) RM'000	Disposals RM'000	Written off RM'000	Reclassification RM'000	Transfer to right-of-use assets (Note 13) RM'000	Impairment losses (Note 8) RM'000	Depreciation charges (Note 8) RM'000	At 31.12.2020 RM'000
2020									
Carrying amount									
Factory buildings	29,291	491	-	-	64	-	-	(1,352)	28,494
Plant and machinery	55,746	11,676	(204)	(70)	627	(7,268)	(800)	(11,440)	48,267
Other assets	3,599	1,538	(191)	-	24	-	-	(1,237)	3,733
Assets in progress	1,146	5,998	-	-	(715)	-	-	-	6,429
	89,782	19,703	(395)	(70)	-	(7,268)	(800)	(14,029)	86,923

12. Property, plant and equipment (continued)

	At cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
The Group				
2021				
Factory buildings	50,475	(22,568)	-	27,907
Plant and machinery	156,490	(111,560)	(2,044)	42,886
Other assets	13,778	(10,449)	-	3,329
Assets in progress	4,230	-	-	4,230
	224,973	(144,577)	(2,044)	78,352

	At cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
2020				
Factory buildings	49,809	(21,315)	-	28,494
Plant and machinery	153,713	(104,646)	(800)	48,267
Other assets	13,193	(9,460)	-	3,733
Assets in progress	6,429	-	-	6,429
	223,144	(135,421)	(800)	86,923

(a) The factory buildings and certain plant and machinery are pledged as securities for bank borrowings as disclosed in Note 24 to the financial statements.

(b) Other assets comprise motor vehicles, office equipment, furniture and fittings, electrical installations, fire fighting equipment, signboard, tools and utensils, office renovation, waste water treatment equipment and staff quarter.

(c) During the financial year, the Group has reassessed its estimated recoverable amount of its production equipment and there is an additional impairment loss of RM1,244,000, representing the write-down of the equipment to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 8 to the financial statements. The recoverable amount was based on its value in use and the pre-tax discount rate used was 12.63% (2020: 9.34%).

(d) Property, plant and equipment of certain subsidiaries are subject to negative pledge to certain financial institutions.

Notes to the Financial Statements

For the financial year ended 31 December 2021

13. Right-of-use assets

Group	At 1.1.2021 RM'000	Additions (Note 30(b)) RM'000	Disposals RM'000	Derecognition due to lease termination RM'000	Reassessment /Modification of lease liabilities RM'000	Impairment losses (Note 8) RM'000	Depreciation charges (Note 8) RM'000	At 31.12.2021 RM'000
Carrying amount								
Leasehold land	13,200	-	-	-	-	-	(207)	12,993
Plant and machinery	10,820	-	-	-	-	(1,000)	(955)	8,865
Motor vehicles	1,218	-	(34)	-	-	-	(704)	480
Factory buildings	1,751	-	-	(411)	-	-	(203)	1,137
Hostels	1,644	1,609	-	(131)	855	-	(1,060)	2,917
	28,633	1,609	(34)	(542)	855	(1,000)	(3,129)	26,392

13. **Right-of-use assets (continued)**

Carrying amount	At 1.1.2020 RM'000	Additions (Note 30(b)) RM'000	Transfer from property, plant and equipment (Note 12) RM'000	Disposals RM'000	Depreciation charges (Note 8) RM'000	At 31.12.2020 RM'000
Leasehold land	13,407	-	-	-	(207)	13,200
Plant and machinery	4,466	-	7,268	-	(914)	10,820
Motor vehicles	1,715	110	-	(82)	(525)	1,218
Factory buildings	1,724	270	-	-	(243)	1,751
Hostels	847	1,740	-	-	(943)	1,644
	22,159	2,120	7,268	(82)	(2,832)	28,633

(a) The Group leases certain leasehold land, plant and machinery, motor vehicles, factory buildings and hostels of which the leasing activities are summarised below:-

(i)	Leasehold land	The Group has entered into a number of non-cancellable operating lease agreements for the use of land. The leases are for a period ranges between 60 to 99 (2020: 60 to 99) years.
(ii)	Plant and machinery	The Group has leased certain plant and machinery under finance lease arrangements with lease terms ranges between 3 to 7 (2020: 3 to 7) years. The leases bear effective interest rates ranging from 2.98% to 6.68% (2020: 2.98% to 6.68%) and are secured by the leased assets.
(iii)	Motor vehicles	The Group has leased certain motor vehicles under finance lease arrangements with lease terms ranges from 3 to 5 (2020: 3 to 5) years. The leases bear effective interest rates ranging from 3.19% to 7.25% (2020: 3.00% to 7.25%) and are secured by the leased assets.
(iv)	Factory buildings	The Group has leased a number of factory buildings that runs for 5 (2020: 3) years, with an option to renew the lease after that date.
(v)	Hostels	The Group has leased a number of hostels that run between 1 to 3 (2020: 1 to 8) years, with an option to renew the lease after that date.

Notes to the Financial Statements

For the financial year ended 31 December 2021

13. Right-of-use assets (continued)

(b) The leasehold land are pledged to secure bank borrowings as disclosed in Note 24 to the financial statements.

(c) The Group also has leases with term of 12 months or less and leases of office equipment with low value. The Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemption for these assets.

(d) During the financial year, the Group has carried out a review of the recoverable amount of its production equipment because the business had been making losses in recent year. An impairment loss of RM1,000,000, representing the write-down of the right-of-use assets to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 8 to the financial statements. The recoverable amount was based on its value in use and the pre-tax discount rate used was 12.63% (2020: 9.34%).

14. Investment in subsidiaries

	Company 2021 RM'000	Company 2020 RM'000
Unquoted shares, at cost	103,659	103,659
Accumulated impairment losses	(5,810)	(2,228)
	97,849	101,431

The details of the subsidiaries are as follows:-

Name of	Principal place of business /Country of incorporation	Percentage of issued shares capital held by parent 2021 %	Percentage of issued shares capital held by parent 2020 %	Principal activities
Ornapaper Industry (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of corrugated boards and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of corrugated boards and carton boxes
Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of corrugated boards and carton boxes
Quantum Rhythm Sdn. Bhd. [1]	Malaysia	100	100	Manufacturing of paper based stationery products

Notes to the Financial Statements

For the financial year ended 31 December 2021

14. Investment in subsidiaries (continued)

The details of the subsidiaries are as follows (continued):-

Name of	Principal place of business /Country of incorporation	Percentage of issued shares capital held by parent 2021 %	2020 %	Principal activities
Tripack Packaging (M) Sdn. Bhd. [1]	Malaysia	100	100	Manufacturing and sale of carton boxes
Ornapaper Industry (Johor) Sdn. Bhd. [1]	Malaysia	80	80	Manufacturing and sale of carton boxes
Subsidiary of Ornapaper Industry (M) Sdn. Bhd.				
Ornapaper Logistics Sdn. Bhd.[1]	Malaysia	100	100	Transportation service

1 These subsidiaries were audited by another firm of chartered accountants.

(a) During the financial year, the Company has reassessed its estimated recoverable amount of its investment in a subsidiary as it had been making losses in recent years. An additional impairment loss of RM3,582,000, representing the write-down of the investments to its recoverable amounts was recognised in "Other Expenses" line item of statement of profit or loss and other comprehensive income.

(b) The non-controlling interest at the end of the reporting period comprise the following:-

	Effect equity interest 2021 %	2020 %	Group 2021 RM'000	2020 RM'000
Ornarpaper Industry (Johor) Sdn. Bhd.	20	20	1,741	1,677

(c) Summarised financial information of non-controlling interests has not been presented as the non-controlling interest of the subsidiary is not individually material to the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2021

15. Goodwill

	Group 2021 RM'000	Group 2020 RM'000
Goodwill	1,633	1,633

The carrying amount of goodwill allocated to each cash-generating unit are as follows:-

	Group 2021 RM'000	Group 2020 RM'000
Ornapaper Industry (Perak) Sdn. Bhd. ("OIP")	1,574	1,574
Ornapaper Industry (Johor) Sdn. Bhd. ("OIJ")	59	59
	1,633	1,633

The Group has assessed the recoverable amounts of goodwill allocated and determined that no impairment is required. The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from each cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	OIP 2021	OIP 2020	OIJ 2021	OIJ 2020
Budgeted gross margins	17%	21%	12%	13%
Discount rates (Pre-tax)	13%	9%	13%	9%

Budgeted gross margins - The budgeted gross margin is determined based on value achieved in the immediate year before the beginning of the budget period.

Discount rate (pre-tax) - Reflects specific risks relating to the relevant cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

The directors believes that any reasonable possible change in the above key assumptions applied is unlikely to materially cause the recoverable amount to be lower than its carrying amount.

16. Deferred tax liabilities

Group	At 1.1.2021 RM'000	Recognised in profit or loss (Note 10) RM'000	At 31.12.2021 RM'000
2021			
Deferred tax liabilities			
Property, plant and equipment	8,505	952	9,457
Right-of-use assets	2,278	(406)	1,872
	10,783	546	11,329
Deferred tax assets			
Lease liabilities	(1,554)	987	(567)
Provisions	(156)	19	(137)
Allowance for impairment losses	(184)	106	(78)
Inventories written down	(121)	39	(82)
Unutilised capital allowances	(17)	-	(17)
	(2,032)	1,151	(881)
	8,751	1,697	10,448

	At 1.1.2020 RM'000	Recognised in profit or loss (Note 10) RM'000	At 31.12.2020 RM'000
2020			
Deferred tax liabilities			
Property, plant and equipment	10,541	(2,036)	8,505
Right-of-use assets	1,206	1,072	2,278
	11,747	(964)	10,783
Deferred tax assets			
Lease liabilities	(1,121)	(433)	(1,554)
Provisions	(204)	48	(156)
Allowance for impairment losses	(96)	(88)	(184)
Inventories written down	-	(121)	(121)
Unutilised capital allowances	(189)	172	(17)
	(1,610)	(422)	(2,032)
	10,137	(1,386)	8,751

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances for financial reporting purposes:-

	Group 2021 RM'000	Group 2020 RM'000
Deferred tax asset	-	25
Deferred tax liabilities	(10,448)	(8,776)
	(10,448)	(8,751)

17. Inventories

	Group 2021 RM'000	Group 2020 RM'000
Raw materials and consumables	53,191	40,584
Work-in-progress	2,403	2,605
Finished goods	8,283	6,779
Goods-in-transit	3,902	2,527
	67,779	52,495
Recognised in profit or loss:-		
Inventories recognised as cost of sales	258,738	236,955
Amount written down	-	984
Reversal of inventories previously written down	(165)	-

18. Right of return assets/(Refund liabilities)

	Group 2021 RM'000	Group 2020 RM'000
Right of return assets	195	261
Refund liabilities		
- arising from right of return assets	(311)	(380)
- arising from discounts	(291)	(378)
	(602)	(758)

A right of return assets and the corresponding refund liabilities are recognised in relation to finished goods sold. These are measured by reference to the carrying amounts of finished goods sold less any expected costs to recover those inventories and any potential decrease in value.

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Notes to the Financial Statements

For the financial year ended 31 December 2021

19. Trade receivables

	Group 2021 RM'000	Group 2020 RM'000
Third parties	74,646	76,905
Companies in which a director has substantial financial interest	4,601	3,959
Company in which close family members of certain directors have significant influence	-	64
	79,247	80,928
Allowance for impairment losses:-		
At 1 January	1,149	682
Addition during the financial year (Note 7)	26	559
Reversal during the financial year (Note 7)	(358)	(92)
	817	1,149
At 31 December	78,430	79,779

The Group's normal trade credit terms range from 30 to 150 (2020 - 30 to 150) days.

20. Other receivables, deposits and prepayments

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Other receivables:-				
Third parties	290	443	6	15
Payments to supplier of property, plant and equipment	5,846	799	-	-
Payments to suppliers	14	36	-	-
Dividend receivables	-	-	1,135	271
GST receivables	3	11	2	2
Interest receivable	1	-	-	-
	6,154	1,289	1,143	288
Allowance for impairment losses	(112)	(220)	-	-
	6,042	1,069	1,143	288
Sundry deposits	432	354	3	2
Prepayments	1,649	1,814	1	1
	8,123	3,237	1,147	291

20. Other receivables, deposits and prepayments (continued)

	Group 2021 RM'000	Group 2020 RM'000
Allowance for impairment losses:-		
At 1 January	220	400
Reversal during the financial year (Note 7)	(108)	(180)
At 31 December	112	220

The payments to suppliers are unsecured and interest-free. The amount owing will be offset against future purchase from the suppliers.

21. Derivative assets/(liabilites)

	Contract/Notional Amount 2021 RM'000	Contract/Notional Amount 2020 RM'000	Group 2021 RM'000	Group 2020 RM'000
Derivative Assets				
Forward currency contracts	420	-	3	-
Derivative Liabilities				
Forward currency contracts	-	1,583	-	9

The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's purchases denominated in United States Dollar (USD) for which firm commitments existed at the end of the reporting period. The settlement dates of the forward currency contracts range between 1 to 5 (2020: 1 to 3) months after the end of the reporting period.

22. Deposits with licensed banks

(a) The deposits with licensed banks of the Group and of the Company at the end of the reporting period bore weighted average effective interest rates of 1.56% and 1.46% (2020: 1.63% and 1.25%) per annum respectively. The deposits of the Group and of the Company have maturity periods range from 5 to 12 (2020: 5 to 12) months.

(b) Included in the deposits with licensed banks of the Group and of the Company at the end of the reporting period was an amount of RM3,284,000 and RM2,093,000 (2020: RM3,218,000 and RM2,051,000) respectively, which have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 24 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2021

23. Share capital and treasury shares

(a) Share capital

	Group/Company			
	2021	2020	2021	2020
	Number of ordinary shares		Amount	
			RM'000	RM'000
Issued and fully paid-up				
Ordinary shares				
At 1 January/31 December	75,251	75,251	86,407	86,407

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(b) Treasury shares

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

Of the total 75,250,601 issued and fully paid-up ordinary shares as at the end of the reporting period, 1,098,445 (2020 - 1,098,445) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold during the financial year.

24. Loans and borrowings

	Group	
	2021	2020
	RM'000	RM'000
Current		
Secured:		
Bankers' acceptances	64,370	60,932
Charge card	139	145
Term loans	1,116	1,120
	65,625	62,197
Non-current		
Secured:		
Term loans	820	1,948
Total loans and borrowings	66,445	64,145

24. Loans and borrowings (continued)

The weighted average effective interest rates per annum at the end of the reporting period of loans and borrowings except for finance lease payables, were as follows:-

	Group	
	2021	**2020**
	%	**%**
Bankers' acceptances	1.99	2.03
Term loans	4.78	4.94

Charge card
Late interest is charged at RM50 or 2% (2020 - RM50 or 2%) per month on the overdue balance, whichever is higher.

The loans and borrowings were secured by way of the following:-

(i) legal charge of the Group's leasehold land and factory buildings as disclosed in Notes 12 and 13 to the financial statements;

(ii) pledged of the fixed deposits of the Group and of the Company as disclosed in Note 22 to the financial statements;

(iii) negative pledge on certain property, plant and equipment of the Group as disclosed in Note 12 to the financial statements;

(iv) specific debenture for RM2,700,000 over the Group's certain machinery as disclosed in Note 12 to the financial statements;

(v) registered debenture for RM12,000,000 over the Group's fixed and floating assets both present and future;

(vi) assignment of life assurance policy by a key management personnel of the Group; and

(vii) corporate guarantee by the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2021

25. Lease liabilities

	Group 2021 RM'000	Group 2020 RM'000
At 1 January	10,344	7,114
Additions during the year	1,609	6,611
Interest expense recognised in profit or loss (Note 6)	521	658
Repayment of principal	(3,834)	(3,381)
Repayment of interest expenses	(521)	(658)
Reassessment/Modification of lease liabilities (Note 30(e))	855	-
Derecognition due to lease termination (Note 30(e))	(569)	-
At 31 December	8,405	10,344
Analysed by:-		
Current liabilities	3,386	3,464
Non-current liabilities	5,019	6,880
	8,405	10,344

26. Trade payables

	Group 2021 RM'000	Group 2020 RM'000
Third parties	28,591	24,251
Companies in which a director has substantial financial interest	309	140
Company in which close family members of certain directors have significant influence	59	845
	28,959	25,236

The normal trade credit terms granted to the Group range from 30 to 120 (2020 - 30 to 120) days.

27. Other payables and accruals

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Accrued operating expenses	7,884	7,981	45	45
Other payables	3,099	4,450	-	-
Dividend payables	-	68	-	-
Sales tax payables	547	458	-	-
Goods and services tax payables	-	1	-	-
Amount payable to property, plant and equipment suppliers	1,586	3,914	-	-
	13,116	16,872	45	45

28. Bank overdrafts

(a) The bank overdrafts of the Group are secured by corporate guarantee of the Company and deposits with licensed banks as disclosed in Note 22 to the financial statements.

(b) The bank overdrafts of the Group at the end of the reporting period bore weighted average effective interest rate of 6.35% (2020: 6.78%) per annum.

29. Dividends

	Group/Company	
	2021	2020
	RM'000	RM'000
Final single tier dividend of approximately 3.25 sen (2020: 3 sen) per ordinary share in respect of the previous financial year	2,410	2,225

The Company has declared a final single tier dividend of 2 sen per ordinary share in respect of the current financial year ended 31 December 2021 to be paid on 20 May 2022 to shareholders whose names appeared in the records of depositors on 5 May 2022. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in financial year ended 31 December 2022.

30. Cash flow information

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group	
	2021	2020
	RM'000	RM'000
Cost of property, plant an equipment purchased (Note 12)	6,403	19,703
Advanced payment to suppliers	5,047	(3,432)
Under payables for purchase of plant and equipment	2,328	(2,892)
Cash disbursed for purchase of property, plant and equipment	13,778	13,379

(b) The cash disbursed for addition of right-of-use assets is as follows:-

	Group	
	2021	2020
	RM'000	RM'000
Cost of right-of-use assets purchased (Note 13)	1,609	2,120
Amount under new lease acquired (Note 30(e))	(1,609)	(2,100)
Cash disbursed for addition of right-of-use assets	-	20

30. Cash flow information (continued)

(c) The cash and cash equivalents comprise the following:-

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Deposits with licensed banks	4,475	6,823	3,284	3,228
Cash and bank balances	54,095	59,629	588	325
Bank overdrafts	(1,087)	(1,436)	-	-
	57,483	65,016	3,872	3,553
Less: Deposits pledged to licensed banks (Note 22)	(3,284)	(3,218)	(2,093)	(2,051)
Deposits with tenure more than 3 months	(1,191)	(3,605)	(1,191)	(1,177)
	53,008	58,193	588	325

(d) The total cash outflows for leases as a lessee are as follows:-

	Group 2021 RM'000	Group 2020 RM'000
Payment of short-term leases	503	451
Payment of low-value assets	24	30
Interest paid on lease liabilities	521	658
Payment of lease liabilities	3,834	3,381
	4,882	4,520

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30. Cash flow information (continued)

(e) The reconciliations of liabilities arising from financing activities are as follows:-

	Bank overdrafts RM'000	Bankers' acceptances RM'000	Charge card RM'000	Term loans RM'000	Lease liabilities RM'000	Total RM'000
Group						
2021						
At 1 January	*	60,932	145	3,068	10,344	74,489
Changes in financing cash flows						
Net proceeds from drawdown	*	3,438	-	-	-	3,438
Repayment of principal	*	-	(6)	(1,132)	(3,834)	(4,972)
Repayment of interests	(52)	(1,233)	-	(124)	(521)	(1,930)
	(52)	2,205	(6)	(1,256)	(4,355)	(3,464)
Non-cash changes						
Acquisition of new lease (Notes 25 and 30(b))	-	-	-	-	1,609	1,609
Interest expenses recognised in profit or loss	52	1,233	-	124	521	1,930
Reassessment/modification of lease (Note 25)	-	-	-	-	855	855
Derecognition due to lease termination (Note 25)	-	-	-	-	(569)	(569)
	52	1,233	-	124	2,416	3,825
At 31 December	*	64,370	139	1,936	8,405	74,850
Group						
2020						
At 1 January	*	60,820	-	3,242	7,114	71,176
Changes in financing cash flows						
Proceeds from drawdown	-	-	-	620	4,511	5,131
Net proceeds from drawdown	*	112	145	-	-	257
Repayment of principal	*	-	-	(794)	(3,381)	(4,175)
Repayment of interests	(36)	(2,026)	-	(176)	(658)	(2,896)
	(36)	(1,914)	145	(350)	472	(1,683)
Non-cash changes						
Acquisition of new lease (Notes 25 and 30(b))	-	-	-	-	2,100	2,100
Interest expenses recognised in profit or loss	36	2,026	-	176	658	2,896
	36	2,026	-	176	2,758	4,996
At 31 December	*	60,932	145	3,068	10,344	74,489

* Bank overdrafts have formed part of the cash and cash equivalents, therefore no movement presented.

Notes to the Financial Statements

For the financial year ended 31 December 2021

31. Related party disclosures

(a) Identities of related parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant related party transactions and balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Subsidiaries				
Dividends received from subsidiaries	-	-	(3,950)	(2,644)
Companies in which certain directors have substantial financial interests				
Lease expenses	649	593	-	-
Sales of goods	(9,532)	(10,675)	-	-
Purchase of goods	532	483	-	-
A company in which close family members of certain directors have substantial interest				
Repair and maintenance	371	224	-	-
Purchase of goods	4	-	-	-
Purchase of property, plant and equipment	445	-	-	-
A company in which close family members of certain directors have significant influence				
Sales of goods	(350)	(231)	-	-
Transportation fees	(2)	-	-	-
Purchase of goods	5,594	1,531	-	-

31. Related party disclosures (continued)

(b) Significant related party transactions and balances (continued)

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

32. Key management personnel compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
(a) Directors				
Directors of the Company				
Short-term employee benefits:				
- fees	471	470	183	224
- salaries, bonuses and other benefits	1,922	1,939	20	17
Defined contribution benefits	158	167	-	-
	2,551	2,576	203	241
Directors of the Subsidiaries				
Short-term employee benefits:				
- salaries, bonuses and other benefits	653	633	-	-
Defined contribution benefits	78	76	-	-
	731	709	-	-
Total directors' remuneration (Note 8)	3,282	3,285	203	241

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company were approximately RM81,000 (2020: RM50,000).

32. Key management personnel compensation (continued)

(b) Other key management personnel

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term employee benefits	1,187	1,181	-	-
Defined contribution benefits	116	132	-	-
Total compensation for other key management personnel	1,303	1,313	-	-

33. Capital commitments

	Group	
	2021 RM'000	2020 RM'000
Purchase of property, plant and equipment	**12,834**	**3,271**

34. Operating segments

In determining the geographical segments of the Group, sales are based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Group	Revenue		Non-current Assets	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	310,562	306,718	106,377	117,189
Asia	1,073	1,960	-	-
United States of America	4,719	4,720	-	-
	316,354	313,398	106,377	117,189

The revenue are recognised at a point in time.

No other segmental information such as segment assets, liabilities and results is presented as the Group is principally engaged in the manufacturing and sale of corrugated boards and carton boxes and operates in Malaysia only.

There is no single customer that contributed 10% or more to the Group's revenue.

35. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

35.1 Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occassion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

	United States Dollar RM'000
The Group	
2021	
<u>Financial assets</u>	
Trade receivables	1,507
Cash and bank balances	8
<u>Financial liabilities</u>	
Trade payables	(233)
Other payables and accruals	(1,539)
Currency Exposure	(257)

35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (continued):-

Foreign currency exposure (continued)

The Group	**United States Dollar RM'000**
2020	
<u>Financial assets</u>	
Trade receivables	1,201
Cash and bank balances	7
<u>Financial liabilities</u>	
Trade payables	(287)
Other payables and accruals	(2,677)
Currency Exposure	(1,756)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	Group 2021 RM'000	**Group 2020 RM'000**
Effects on Profit After Taxation		
USD/RM – strengthened by 6% (2020: 10%)	(12)	(133)
– weakened by 6% (2020: 10%)	12	133

35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 24 to the financial statements.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	Group	
	2021	**2020**
	RM'000	**RM'000**
Effects on Profit After Taxation		
Increase of 122 basis points (2020: 122 basis points)	(613)	(904)
Decrease of 122 basis points (2020: 122 basis points)	613	904

(iii) Equity price risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(b) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit and derivatives rating counterparties.

The Company's exposure to credit risk arises principally from corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	Group	
	2020	**2020**
	RM'000	**RM'000**
Local	78,209	79,379
Foreign	221	400
	78,430	79,779

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(b) Credit risk (continued)

(iii) Assessment of impairment losses

Trade Receivables

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Also, the Group considers any receivables having financial difficulty or in default with significant balances outstanding for more than 150 days, are deemed credit impaired and assess for their risk of loss individually.

The expected loss rates are based on the payment profiles of past sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2021				
Current (not past due)	62,132	-	(121)	62,011
1 to 30 days past due	13,253	-	(18)	13,235
31 to 60 days past due	2,018	-	(6)	2,012
61 to 90 days past due	1,173	-	(1)	1,172
more than 120 days past due	25	-	(25)	-
Credit impaired	646	(646)	-	-
	79,247	(646)	(171)	78,430

35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(b) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Trade Receivables (continued)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below (continued):-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
2020				
Current (not past due)	62,309	-	(188)	62,121
1 to 30 days past due	14,762	-	(42)	14,720
31 to 60 days past due	2,417	-	(9)	2,408
61 to 90 days past due	532	-	(6)	526
more than 120 days past due	13	-	(9)	4
Credit impaired	895	(895)	-	-
	80,928	(895)	(254)	79,779

The movements in the loss allowances in respect of trade receivables are disclosed in Note 19 to the financial statements.

Other receivables

The Group applies the 3-stage general approach to measuring expected credit losses for other receivables. At the end of the reporting period, there was no indication that the amount owing is not recoverable other than those which had already impaired in the previous financial year.

Notes to the Financial Statements

For the financial year ended 31 December 2021

35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(b) Credit risk (continued)

(iii) Assessment of impairment losses (continued)

Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(c) Liquidity risk (continued)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
2021					
Non-derivative Financial Liabilities					
Trade payables	-	28,959	28,959	28,959	-
Other payables and accruals	-	12,569	12,569	12,569	-
Bank overdrafts	6.35	1,087	1,087	1,087	-
Bankers' acceptances	1.99	64,370	64,370	64,370	-
Charge card	2.00	139	139	139	-
Term loans	4.78	1,936	2,040	1,191	849
Lease liabilities	4.45	8,405	9,142	3,723	5,419
		117,465	118,306	112,038	6,268

35. Financial instruments (continued)

35.1 Financial risk management policies (continued)

(c) Liquidity risk (continued)

Maturity Analysis (continued)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (continued):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 years RM'000
2020						
Non-derivative Financial Liabilities						
Trade payables	-	25,236	25,236	25,236	-	-
Other payables and accruals	-	16,413	16,413	16,413	-	-
Bank overdrafts	6.78	1,436	1,436	1,436	-	-
Bankers' acceptances	2.03	60,932	60,932	60,932	-	-
Charge card	2.00	145	145	145	-	-
Term loans	4.94	3,068	3,388	1,259	2,129	-
Lease liabilities	4.69	10,344	11,507	3,969	6,694	844
Derivative Financial Liabilities						
Forward currency contracts (gross settled):						
- gross payments		9	1,583	1,583	-	-
		117,583	120,640	110,973	8,823	844

35 Financial instruments (continued)

35.1 Financial risk management policies (continued)

(c) Liquidity risk (continued)

Maturity Analysis (continued)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (continued):-

	Weighted Average Effective Interest %	Carrying Amount RM'000	Contractual Undiscounted RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
The Company					
2021					
Non-derivative Financial Liability					
Other payables and accruals	-	45	45	45	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	69,561	69,561	-
		45	69,606	69,606	-
2020					
Non-derivative Financial Liability					
Other payables and accruals	-	45	45	45	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	67,289	67,289	-
		45	67,334	67,334	-

The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

35. Financial instruments (continued)

35.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants. The debt-to-equity ratio is calculated as net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables less cash and bank balances and deposits with licensed banks. Capital includes equity attributable to the owners of the parent. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	Group	
	2021	**2020**
	RM'000	**RM'000**
Trade payables	28,959	25,236
Other payables and accruals	13,116	16,872
Bank overdrafts	1,087	1,436
Derivative liabilities	-	9
Charge card	139	145
Lease liabilities	8,405	10,344
Term loans	1,936	3,068
Bankers' acceptances	64,370	60,932
	118,012	118,042
Less: Cash and bank balances	(54,095)	(59,629)
Less: Deposits with licensed banks	(4,475)	(6,823)
Net debt	59,442	51,590
Total equity	190,167	187,527
Capital and net debt	249,609	239,117
Debt-to-equity ratio	0.24	0.22

There was no change in the Group's approach to capital management during the financial year.

35. Financial instruments (continued)

35.3 Classification of financial instruments

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Financial Assets				
Fair value through profit or loss				
Derivative liabilities (Note 21)	3	-	-	-
Amortised Cost				
Trade receivables (Note 19)	78,430	79,779	-	-
Other receivables (Note 20)	178	223	6	15
Deposits with licensed banks (Note 22)	4,475	6,823	3,284	3,228
Cash and bank balances	54,095	59,629	588	325
	137,181	146,454	3,878	3,568

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Financial Liabilities				
Fair value through profit or loss				
Derivative liabilities (Note 21)	-	9	-	-
Amortised Cost				
Trade payables (Note 26)	28,959	25,236	-	-
Other payables and accruals (Note 27)	12,569	16,413	45	45
Bank overdrafts (Note 28)	1,087	1,436	-	-
Charge card (Note 24)	139	145	-	-
Lease liabilities (Note 25)	8,405	10,344	-	-
Term loans (Note 24)	1,936	3,068	-	-
Bankers' acceptances (Note 24)	64,370	60,932	-	-
	117,465	117,583	45	45

35. Financial instruments (continued)

35.4 Gains or Losses Arising From Financial Instruments

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial Assets				
Amortised Cost				
Net gains recognised in profit or loss	1,400	830	48	79
Financial Liabilities				
Fair Value Through Profit or Loss				
Net losses recognised in profit or loss	12	(5)	-	-
Amortised Cost				
Net losses recognised in profit or loss	(2,288)	(3,433)	-	-

35.5 Fair Value Information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

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35. Financial instruments (continued)

35.5 Fair Value Information (continued)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
Group								
2021								
Financial Assets								
Derivative assets:								
- forward currency contract	-	3	-	-	-	-	3	3
Financial Liabilities								
Term loans:								
- floating rate	-	-	-	-	1,936	-	1,936	1,936
Group								
2020								
Financial Liabilities								
Term loans:								
- floating rate	-	-	-	-	3,068	-	3,068	3,068
Derivative liabilities:								
- forward currency contract	-	9	-	-	-	-	9	9

35. Financial instruments (continued)

35.5 Fair Value Information (continued)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

(aa) The fair values of forward currency contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts using a risk-free interest rate (government bonds).

(ii) There were no transfers between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair value of the Group's term loan that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

36. Significant event during the financial year and subsequent event

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO prior entering into the National Recovery Plan to curb the spread of the COVID-19 pandemic in Malaysia.

The Group's operations have been disrupted by a series of precautionary and control measures taken by the government and private corporations in response to the emergency of the COVID-19 pandemic.

In addition, the supply of paper roll was affected by the disruption on the supply chain due to the global shortage of sea freight containers and increasing sea freight costs, port congestions and rising energy rates caused by the Russia-Ukraine conflict. Following the announcement of minimum wage rate to RM1,500, labour cost will continue to increase in the future which will consequently increase our cost of production.

Despite of the above, the Group will continuously assess the situation and put in place measures and strategy to minimise impact to its business.

List Of Properties

Register Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition or Revaluation	Net Book Value As at 31/12/2021 (RM'000)
OISB(M)	H. S. (M) 455 to H. S. (M) 470 Lot PT4944 to PT4959 Mukim of Bachang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring On 24/09/2094	Industrial		16-Jan-96	
OISB(M)	H. S. (M) 471 to H. S. (M) 475 Lot PT4960 to PT4964 Mukim of Bachang, District of Melaka Tengah, Melaka	17,505	Leasehold 99 Years Expiring On 24/09/2094	Industrial	25	04-Mar-02	27,385
PKNM*	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka Factory No.: 8998, Kawasan Perindustrian Batu Berendam (PhaseIV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka.	6,822	Leasehold 99 Years Expiring On 20/04/2103	Industrial (Former Service Road)		01-Aug-03	
OISB(BP)	H. S. (D) 43098 Lot. No. PLO 271 (PTD39208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	13,067	Leasehold 60 Years Expiring On 10/07/2060	Industrial	24	27-Oct-97	
	Factory No. PLO 271, Jalan Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim						6,335
OISB(BP)	H. S. (D) 38426 (PTD35123), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	4,047	Leasehold 60 Years Expiring On 04/02/2058	Industrial	24	27-Dec-11	
OISB(PERAK)	424165, 424166, 424167, 424168, 424169, 424170 Mukim of Hulu Kinta, District of Kinta, State of Perak	42,811	Leasehold 99 Years Expiring On 05/12/2117	Industrial	31	25-May-90	7,234
	Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan						
OISB(JOHOR)	H. S. (D) 248366 Lot PTD 46025 Mukim & District of Senai-Kulai, Johor Bahru	6,070	Leasehold 60 Years Expiring On 10/07/2056	Industrial	15	14-Mar-02	2,321
	Factory No. PLO 114 Jalan Cyber 5, Kawasan Perindustrian Senai III, 81400 Senai Johor.		Extended for another 30 years				

Notes:- OISB(M) - Ornapaper Industry (M) Sdn. Bhd.
OISB(BP) - Ornapaper Industry (Batu Pahat) Sdn. Bhd.
OISB(JOHOR) - Ornapaper Industry (Johor) Sdn. Bhd.
OISB(PERAK) - Ornapaper Industry (Perak) Sdn. Bhd.
PKNM - Perbadanan Kemajuan Negeri Melaka

* OISB (M) had purchased the land from PKNM as per the Sale and Purchase Agreement dated 01/08/2003

Analysis of Shareholdings

As at 31 March 2022

Total Number of Issued Shares	:	75,250,601 ordinary shares
Total Number of Treasury Shares	:	1,098,445 treasury shares
Issued and Paid-up Capital	:	RM74,152,156.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 Vote per Ordinary Shares

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	16	0.89	458	0.01
100 – 1,000	348	19.40	271,651	0.37
1,001 – 10,000	933	52.01	4,533,900	6.11
10,001 – 100,000	415	23.13	13,496,004	18.20
100,001 – 3,707,606 (*)	81	4.52	33,156,269	44.71
3,707,607 and above (**)	1	0.05	22,693,874	30.60
TOTAL	1,794	100.00	74,152,156	100.00

Remarks: * Less than 5% of issued shares
** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares	%	Indirect No. of Shares	%
Intisari Delima Sdn. Bhd.	22,693,874	30.60	-	-
Sai Ah Sai	120,000	0.16	(1)24,340,698	32.83
Sai Chin Hock	-	-	(2)22,693,874	30.60
Sai Han Siong	15,000	0.02	(3)23,276,198	31.39

DIRECTORS' SHAREHOLDINGS
(Based on the Register of Directors' Shareholdings)

Name	Direct No. of Shares	%	Indirect No. of Shares	%
Sai Ah Sai	120,000	0.16	(1)24,340,698	32.83
Sai Chin Hock	-	-	(2)22,693,874	30.60
Sai Han Siong	15,000	0.02	(3)23,276,198	31.39
Siow Kee Yen	30,500	0.04	-	-
Datuk Adillah Binti Ahmad Nordin	34,000	0.05	-	-
Tan Chin Hwee	-	-	-	-

Notes:
*(1) Deemed interest pursuant to Section 8 of the Companies Act 2016 ("**the Act**") by virtue of shares held through Intisari Delima Sdn. Bhd. ("**IDSB**") and his sons, Sai Han Siong's shares held in ORNA and shares held through Pilihan Sistematik Sdn. Bhd. ("**PSSB**"), and Sai Swee Seong's indirect shareholding held through Uptrend Performer Sdn. Bhd. ("**UPSB**") and disclosure made pursuant to Section 59(11)(c) of the Act on shares held through his son, Sai Swee Seong.*
(2) Deemed interest pursuant to Section 8 of the Act by virtue of shares held through IDSB.
(3) Deemed interest pursuant to Section 8 of the Act by virtue of shares held through PSSB, IDSB and his father, Sai Ah Sai's shares held in ORNA and disclosure made pursuant to Section 59(11)(c) of the Act on shares held through his spouse, Chua Mei Yin.

Analysis of Shareholdings

As at 31 March 2022

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Shareholders	No. of shares	%
1	Intisari Delima Sdn. Bhd.	22,693,874	30.60
2	Huai Hin Holdings Sdn. Bhd.	3,579,500	4.83
3	Superior Rainbow Sdn. Bhd.	2,558,945	3.45
4	Cemerlang Muhibbah Sdn. Bhd.	2,360,500	3.18
5	Megamix Sdn. Bhd.	2,000,000	2.70
6	Yeo Ser Ken	1,320,000	1.78
7	Teo Chee Hoon	1,000,000	1.35
8	Uptrend Performer Sdn. Bhd.	1,000,000	1.35
9	Chen Fook Wah	943,200	1.27
10	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Hock Leong*	784,900	1.06
11	Lim Hong Liang	745,000	1.00
12	Teu Chee Chai	730,500	0.99
13	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Teh Ai Lee*	658,300	0.89
14	Chen Fook Wah	625,500	0.84
15	Chan Hua Heng	530,000	0.71
16	Lim Huey Tien	492,000	0.66
17	Chen Foong Szeen	488,500	0.66
18	Ling Eng Kheat	462,000	0.62
19	Pilihan Sistematik Sdn. Bhd.	459,324	0.62
20	Chong Nyok Moey	415,000	0.56
21	Yeo Ser Ken	405,500	0.55
22	Wong Lai Han	399,500	0.54
23	Khoo Yew Nean	361,000	0.49
24	Lim Hong Liang	319,200	0.43
25	Ong Teck Peow	312,100	0.42
26	Oi Kim Mai	307,000	0.41
27	Seet Wan Cheng	300,000	0.40
28	Kenanga Nominees (Tempatan) Sdn. Bhd. *Tang Khai Yew (PCS)*	298,200	0.40
29	Soo Chok Chin	288,000	0.39
30	Tong Boon Lai	282,000	0.38

Notice of the Twentieth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting ("**20th AGM**") of the Company will be held at the Function Room 2, Level 2, Holiday Inn Melaka, Jalan Syed Abdul Aziz, 75000 Melaka, Malaysia on **Friday, 10 June 2022** at 10:30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 14)**

2. To approve the payment of Directors' fees up to an amount of RM255,000/- from 11 June 2022 until the Twenty-First AGM of the Company. (Resolution 1)

3. To approve the payment of Directors' benefits payable up to an amount of RM28,000/-, from 11 June 2022 until the Twenty-First AGM of the Company. (Resolution 2)

4. To re-elect the following Directors who are retiring in accordance with Clause 120 of the Company's Constitution and being eligible, have offered themselves for re-election:-

   (a) Mr. Sai Chin Hock; and (Resolution 3)
   (b) Datuk Adillah binti Ahmad Nordin (Resolution 4)

5. To re-appoint Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 5)

<u>As Special Business</u>
To consider and if thought fit, with or without any modification, to pass the following Ordinary Resolutions:-

6. **Ordinary Resolution** (Resolution 6)
   Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

   THAT subject always to the Companies Act 2016 ("**the Act**"), the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being;

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

Notice of the Twentieth Annual General Meeting

AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company.

7. **Ordinary Resolution** (Resolution 7)
Retention of Datuk Adillah Binti Ahmad Nordin as an_Independent Non-Executive Director

THAT subject to the passing of Resolution 4, approval be and is hereby given to Datuk Adillah Binti Ahmad Nordin, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to retain as an Independent Non-Executive Director of the Company.

8. **Ordinary Resolution** (Resolution 8)
Retention of Mr. Siow Kee Yen as an Independent Non-Executive Director

THAT approval be and is hereby given to Mr. Siow Kee Yen, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, retain as an Independent Non-Executive Director of the Company.

9. **Ordinary Resolution** (Resolution 9)
Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature

THAT subject to the provisions of the Bursa Securities Main Market Listing Requirements, approval be and is hereby given for the renewal of the existing shareholders' mandate for the Company and/or its subsidiaries ("**ORNA Group**") to enter into recurrent related party transactions of a revenue or trading nature with the Related Party as specified in Section 1.4 of Part A of the Circular to Shareholders dated 29 April 2022 which are necessary for the day-to-day operations of the ORNA Group, to be entered by the ORNA Group in the ordinary course of business and are on terms which are not more favourable to the parties with which such recurrent transactions to be entered into than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until the earlier of:-

(i) the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM; or

(ii) the expiration of the period within which the next AGM is to be held pursuant to Section 340(2) of the Act but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(iii) is revoked or varied by resolution passed by the shareholders in a general meeting before the next AGM;

Notice of the Twentieth Annual General Meeting

AND THAT the Directors of the Company be authorised to complete and do such acts and things (including executing all such documents as may be required), as they may consider expedient or necessary to give effect to this resolution.

10. **Ordinary Resolution** (Resolution 10)
Proposed Renewal of Authority for the Company to Purchase Its Own Shares ("Proposed Renewal of Share Buy-Back Authority")

THAT subject to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and all other applicable laws, rules and regulations and guidelines for the time being in force and the approvals of all relevant governmental and/or regulatory authority, approval be and is hereby given to the Company, to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:

(i) the aggregate number of ordinary shares to be purchased and/or held by the Company pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase.

THAT upon completion of the purchase by the Company of its own shares, the Directors of the Company be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manners:

(i) to cancel all the shares so purchased; and/or

(ii) to retain the ordinary shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities and/or transfer under an employees' share scheme and/or transfer as purchase consideration; and/or

(iii) to retain part thereof as treasury shares and cancel the remainder; or

(iv) in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force.

Notice of the Twentieth Annual General Meeting

THAT such authority conferred by this resolution shall commence upon the passing of this resolution and shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company following this AGM at which this resolution was passed at which time the said authority shall lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) the authority is revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever, occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take all such steps, and do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.

11. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689) / SSM PC NO.: 201908002648
YAU JYE YEE (MAICSA 7059233) / SSM PC NO.: 202008000733
Company Secretaries

Melaka
Dated: 29 April 2022

Notice of the Twentieth Annual General Meeting

IMPORTANT NOTICE

1. The Board of Directors ("**Board**") is cognisant of the COVID-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company's shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of the foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the Company's 20th AGM. Please refer to the Administrative Guide of the 20th AGM available at the Company's website at https://ornapaper.com/annual-general-meeting/ for further information.

2. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one (1) proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing proxy(ies) must be made either under its common seal or signed by an officer or an attorney duly authorised.

7. The Form of Proxy duly completed must be deposited at the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 20th AGM or adjourned general meeting at which the person named in the appointment proposes to vote.

8. Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.

9. Last date and time for lodging the Form of Proxy is **Wednesday, 8 June 2022 at 10:30 a.m.**

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 20th AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

Notice of the Twentieth Annual General Meeting

11. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL/DULY CERTIFIED** certificate of appointment of authorised representative with the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

    (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.

    (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

    (a) at least two (2) authorised officers, of whom one shall be a director; or
    (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

12. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the **Record of Depositors as at 1 June 2022**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 20th AGM or appoint proxies to attend and vote in his stead.

13. **Publication of Notice of 20th AGM and Form of Proxy on Corporate Website**

    Pursuant to Section 320(2) of the Act, a copy of this Notice together with the Proxy Form are available at the corporate website of Ornapaper Berhad at https://ornapaper.com/annual-general-meeting/ .

14. **Audited Financial Statements for the financial year ended 31 December 2021**

    This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

Explanatory Notes:-

(i) Payment of Directors' Fees and Benefits Payable

Section 230(1) of the Act provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The proposed Resolution 1, if approved, will authorise the payment of Directors' fees to the Non-Executive Directors ("**NEDs**") by the Company for the period from 11 June 2022 to the Twenty-First AGM of the Company and to be payable on a monthly basis in arrears after each month of completed service of the Directors. This resolution is to facilitate payment of Directors' fees on current financial year basis.

The proposed Resolution 2, if approved, will authorise the payment of Directors' benefits to the Directors by the Company. The proposed Directors' benefits payable is for the period from 11 June 2022 to the Twenty-First AGM of the Company and the estimated amount is derived from the estimated meeting allowance based on the number of scheduled meetings. The Directors' benefits comprised of meeting allowance only.

(ii) Re-election of Directors who are retiring in accordance with Clause 120 of the Company's Constitution

Mr. Sai Chin Hock and Datuk Adillah binti Ahmad Nordin are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 20th AGM.

Notice of the Twentieth Annual General Meeting

The Board of Directors has through the Nomination Committee carried out the necessary assessment on the aforesaid Directors and concluded that they met the criteria as prescribed under Paragraph 2.20A of the Main Market Listing Requirements on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors.

The profiles of the Directors standing for re-election are provided on pages 3 and 4 in this 2021 Annual Report.

(iii) Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Resolution 6 is intended to renew the authority granted to the Directors of the Company at the Nineteenth AGM of the Company held on 11 June 2021 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the total number of issued shares of the Company for the time being (hereinafter referred to as the "**General Mandate**").

The General Mandate granted by the shareholders at the 19th AGM of the Company had not been utilised and hence no proceed was raised therefrom.

The new General Mandate will enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

(iv) Retention as Independent Non-Executive Directors

Datuk Adillah Binti Ahmad Nordin and Mr. Siow Kee Yen were appointed as Independent Non-Executive Directors of the Company on 2 December 2002 and have served on the Board of Directors ("**the Board**") for a cumulative term of more than nine (9) years. In accordance with the Malaysian Code on Corporate Governance, the Board, after having assessed the independence of Datuk Adillah Binti Ahmad Nordin and Mr. Siow Kee Yen, regarded them to be independent based amongst others, the following justifications and recommends that Datuk Adillah Binti Ahmad Nordin and Mr. Siow Kee Yen be retained as Independent Non-Executive Directors of the Company:

a. They have met the independence guidelines as set out in Chapter 1 of Bursa Securities Main Market Listing Requirements;
b. They do not have any conflict of interest with the Company and has not been entering/are not expected to enter into contract(s), especially material contract(s), with the Company and/or its subsidiary companies; and
c. The Board is of the opinion that Datuk Adillah Binti Ahmad Nordin and Mr. Siow Kee Yen are important Independent Non-Executive Directors of the Board in view of their many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and have provided invaluable contributions to the Board in their role as Independent Non-Executive Directors.

(v) Proposed Renewal of Share Buy-Back Authority

The proposed Resolution 10, if passed, will renew the authority given to the Company to purchase its own shares of up to ten per centum (10%) of the total number of issued shares of the Company at any time within the time period stipulated in the Main Market Listing Requirements of Bursa Securities. This authority will, unless revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company.

For further information on the Proposed Renewal of Share Buy-Back Authority, please refer to the Circular/Statement to Shareholders dated 29 April 2022.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the 20th AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Ornapaper Berhad
(Incorporated in Malaysia)
Registration No: 200201006032 (573695-W)

CDS ACCOUNT NO.
NUMBER OF SHARES HELD

FORM OF PROXY

*I/We (full name), ___________________

bearing *NRIC No./Passport No./ Company No.____

of (full address)____

____

being a *member/members of ORNAPAPER BERHAD (the "**Company**") hereby appoint:-

First Proxy "A"

FULL NAME (IN BLOCK)	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
FULL ADDRESS			

and/or failing *him/her,

Second proxy "B"

FULL NAME (IN BLOCK)	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
FULL ADDRESS			

#to put on a separate sheet where there are more than two (2) proxies.

100%

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twentieth Annual General Meeting ("**20th AGM**") of the Company to be held at the Function Room 2, Level 2, Holiday Inn Melaka, Jalan Syed Abdul Aziz, 75000 Melaka, Malaysia on **Friday, 10 June 2022** at 10:30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below as to how you wish your votes to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Resolution	Agenda	For	Against
1.	To approve the payment of Directors' fees up to an amount of RM255,000/- from 11 June 2022 until the Twenty-First AGM of the Company.		
2.	To approve the payment of Directors' benefits payable up to an amount of RM28,000/-, from 11 June 2022 until the Twenty-First AGM of the Company.		
3.	To re-elect Mr. Sai Chin Hock in accordance with Clause 120 of the Company's Constitution.		
4.	To re-elect Datuk Adillah binti Ahmad Nordin in accordance with Clause 120 of the Company's Constitution.		
5.	To re-appoint Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
6.	Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
7.	Retention of Datuk Adillah binti Ahmad Nordin as an Independent Non-Executive Director of the Company.		
8.	Retention of Mr. Siow Kee Yen as an Independent Non-Executive Director of the Company.		
9.	Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10.	Proposed Renewal of Authority for the Company to Purchase Its Own Shares.		

As witness my/our hand(s) this day _________ of ___________________, 2022.

Contact Number: ____________________

*Signature(s)/Common Seal of Member

** Strike out whichever not applicable.*

IMPORTANT NOTICE

1. The Board of Directors ("**Board**") is cognisant of the COVID-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company's shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of the foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the Company's 20th AGM. Please refer to the Administrative Guide of the 20th AGM available at the Company's website at https://ornapaper.com/annual-general-meeting/ for further information.

2. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one (1) proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing proxy(ies) must be made either under its common seal or signed by an officer or an attorney duly authorised.

7. The Form of Proxy duly completed must be deposited at the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 20th AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

8. Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.

9. Last date and time for lodging the Form of Proxy is Wednesday, 8 June 2022 at 10:30 a.m.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 20th AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL /DULY CER TIFIED certificate of appointment of authorised representative with the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

    (i) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.

    (ii) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:

        (a) at least two (2) authorised officers, of whom one shall be a director; or
        (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

12. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, the Record of Depositors as at 1 June 2022 . Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 20th AGM or appoint proxies to attend and vote in his stead.

Personal Data P rivacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 April 2022.

fold here

Affix
Stamp
Here

The Company's Share Registrar

ORNAPAPER BERHAD [200201006032 (573695-W)]

Aldpro Corporate Services Sdn. Bhd.
202101043817 (1444117-M)
Level 5, Block B, Dataran PHB, Saujana Resort,
Section U2, 40150 Shah Alam, Selangor.

fold here

Ornapaper BERHAD 200201006032 (573695-W)

No. 8998, Kawasan Perindustrian
Batu Berendam Peringkat IV,
75350 Melaka, Malaysia.

Tel: 06-3355 888 Fax: 06-3355 999

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