

Ornapaper



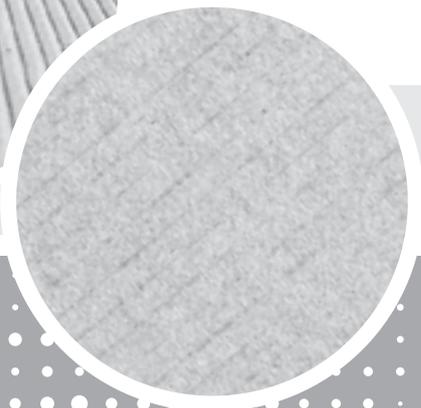
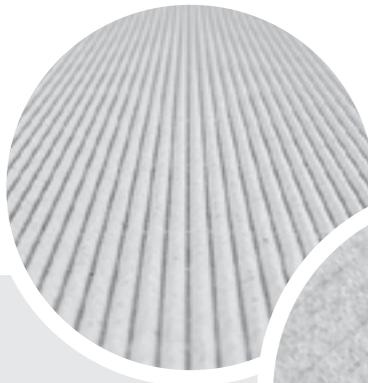
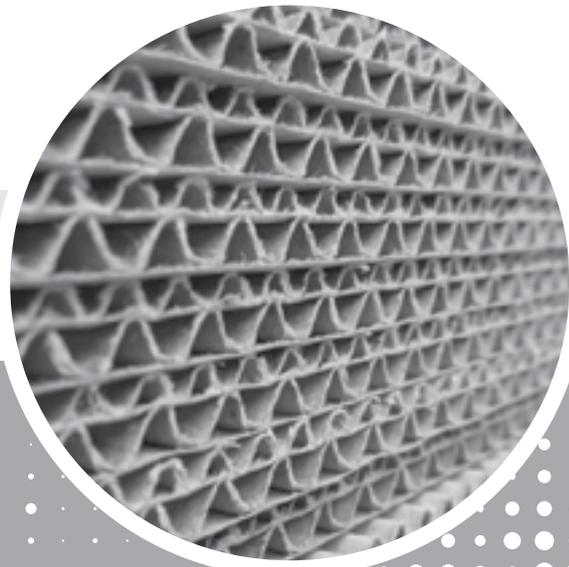
**ANNUAL  
REPORT  
2023**

# Contents

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<b>02</b>	_____	Corporate Information
<b>03</b>	_____	Profile of Directors
<b>07</b>	_____	Profile of Key Management
<b>09</b>	_____	Management Discussion and Analysis
<b>27</b>	_____	Corporate Governance Overview Statement
<b>48</b>	_____	Audit Committee Report
<b>55</b>	_____	Statement on Risk Management and Internal Control
<b>65</b>	_____	Sustainability Statement
<b>111</b>	_____	Financial Statements
<b>183</b>	_____	List of Properties
<b>184</b>	_____	Analysis of Shareholdings
<b>187</b>	_____	Notice of the 22nd Annual General Meeting

Proxy Form



# Corporate Information

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<b>BOARD OF DIRECTORS</b>	: Mr. Ang Kwee Teng (Executive Chairman) Mr. Sai Chin Hock (Executive Director) Mr. Sai Han Siong (Chief Executive Director) Mr. Lim Joo Song (Executive Director) Mr. Lim Kit Ming (Independent Non-Executive Director) Ms. Sean Ne Teo (Independent Non-Executive Director) Mr. Tan Chin Hwee (Independent Non-Executive Director) Mr. Sai Ah Sai (Non-Independent Non-Executive Director)
<b>AUDIT COMMITTEE</b>	Mr. Lim Kit Ming (Chairman) Ms. Sean Ne Teo Mr. Tan Chin Hwee
<b>BOARD RISK MANAGEMENT COMMITTEE</b>	Mr. Tan Chin Hwee (Chairman) Mr. Lim Kit Ming Ms. Sean Ne Teo
<b>NOMINATION COMMITTEE</b>	Mr. Lim Kit Ming (Chairman) Ms. Sean Ne Teo Mr. Tan Chin Hwee
<b>REMUNERATION COMMITTEE</b>	Ms. Sean Ne Teo (Chairperson) Mr. Lim Kit Ming Mr. Tan Chin Hwee
<b>COMPANY SECRETARIES</b>	Ms. Chua Siew Chuan (MAICSA 0777689) SSM PC No.: 201908002648 Ms. Yau Jye Yee (MAICSA 7059233) SSM PC No.: 202008000733
<b>REGISTERED OFFICE</b>	No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka. Tel: 606-2880220 Email: info@sshbs.com.my
<b>CORPORATE OFFICE</b>	No. 8998, Kawasan Perindustrian Peringkat IV, Batu Berendam, 75350 Melaka. Tel: 606-3355888 Fax: 606-3356988 Website: www.ornapaper.com
<b>SHARE REGISTRAR</b>	Aldpro Corporate Services Sdn. Bhd. 202101043817 (1444117-M) B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan. Tel: 603-9770 2200 Fax: 603-9770 2239 Email: admin@aldpro.com.my
<b>AUDITORS</b>	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
<b>PRINCIPAL BANKER</b>	RHB Islamic Bank Berhad
<b>STOCK EXCHANGE LISTING</b>	Main Market of Bursa Malaysia Securities Berhad

## Profile of Directors

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### Mr Ang Kwee Teng

Age	: 74
Nationality	: Malaysian
Gender	: Male
Designation / Position in the Company	: Executive Chairman
Date of appointment	: 1 June 2023
Qualification	: -
Work experience	: Director of Ornapaper Industry (M) Sdn Bhd (since 1995)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct - Nil : 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

### Mr Sai Chin Hock

Age	: 75
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 - 37,885,219 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

## Profile of Directors

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### Mr Tan Chin Hwee

Age	: 58
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

### Mr Lim Kit Ming

Age	: 43
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	: 1 June 2023
Qualification	: Bachelor of Accounting from the University of Malaya (2005); Membership from the Malaysian Institute of Accountants ("MIA") (2008); Membership from the Malaysian Institute of Certified Public Accountants ("MICPA") (2010)
Work experience	: Joined as Audit Associate and promoted to Audit Manager in Ernst & Young, Melaka (2005 - 2014); Joined as Audit Manager and promoted to Audit Partner cum Assistant Branch Manager in Cheng & Co., Melaka (2014 - 2017); Joined as Audit Partner until present in KY Siow & Co., (the firm converted into an LLP, namely KY Siow & Co PLT in January 2020) (2018 - present)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct - Nil : 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

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### Sean Ne Teo

Age	: 50
Nationality	: Malaysian
Gender	: Female
Designation/ Position in the Company	: Independent Non-Executive Director; Chairperson of Remuneration Committee; Member of Audit Committee, Nomination Committee and Board Risk Management Committee
Date of appointment	: 1 June 2023
Qualification	: Certificate of Third Level Accounting by the London Chamber of Commerce and Industry (LCCI); Certificate of Corporate Secretary by the Universiti Malaya Centre for Continuing Education
Work experience	: Conveyancing & litigation clerk in Nik Hussain & Partners Melaka (1992 - 1994); Joined as Secretarial Assistant and promoted to Manager in Securities Services (Holdings) Sdn Bhd (1994 - 2018); Joined as Manager and promoted to Director in Koh & Siow Management Services Sdn Bhd (2018 - present)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct - Nil : 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

### Mr Sai Han Siong

Age	: 54
Nationality	: Malaysian
Gender	: Male
Designation / Position in the Company	: Chief Executive Director
Date of appointment	: 27 May 2016
Qualification	: Singapore - Cambridge Certificate - GCE O 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 (2012 - present)
Directorship in other Public Companies & listed issuers	: None
Securities holding in the Company and its subsidiaries	: Direct - 15,000 shares : Indirect - 38,467,543 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

## Profile of Directors

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### Mr Sai Ah Sai

Age	: 87
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 - 39,532,043 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

### Mr Lim Joo Song

Name	: Lim Joo Song
Age	: 53
Nationality	: Malaysian
Gender	: Male
Designation /Position in the Company	: Executive Director
Date of appointment	: 1 June 2023
Qualification	: Degree Holder of Political Science In National Taiwan University
Work 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) General Manager - Ornapaper Industry (M) Sdn.Bhd. (2010 - July 2020) Chief Operations Officer - Ornapaper Industry (M) Sdn Bhd (2020 - present)
Directorship in other Public Companies & listed issuers	: Nil
Securities holding in the Company and its subsidiaries	: Direct - Nil : Indirect - 292,000 shares
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 Key Management

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Name : Bung Choon Kong  
Age : 64  
Nationality : Malaysian  
Gender : Male  
Designation /Position in the Company : General Manager  
Date of appointment : 1 Aug 2009  
Qualification : MCE  
Work 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

Name : Foo Chee Juin  
Age : 69  
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)

Work experience : Company Secretary - PI 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

## Profile of Key Management

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Name : Alan Kang Chee Hwee  
Age : 51  
Nationality : Malaysian  
Gender : Male  
Designation /Position in the Company : Assistant General Manager  
Date of appointment : 1 January 2012  
Qualification : SPM  
Work 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

Name : Teng Say Yeong  
Age : 57  
Nationality : Malaysian  
Gender : Male  
Designation /Position in the Company : General Manager  
Date of appointment : 1 Jul 2009  
Qualification : SPM  
Work 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

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## **GROUP'S BUSINESS OVERVIEW**

Ornapaper Berhad (“Ornapaper”) and its subsidiaries (“the Group”) started their 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 90s 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 the 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 in August 2017 to fulfil the internal transportation needs of the Group. The revenue contribution of the logistics company to the Group's revenue in 2023 remained insignificant at approximately 1%. As for Quantum Rhythm Sdn. Bhd. which is primarily involved in the manufacturing of paper-based stationery products, it contributed approximately 6% of the Group's total revenue consistently for the past few years from both local (approximately 67% of Quantum Rhythm Sdn. Bhd.'s sales) and export (approximately 33% of Quantum Rhythm Sdn. Bhd.'s sales) markets.

The rest of the subsidiaries that contributed to 93% 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, foods and beverages (“F&B”), electronics and electrical (“E&E”), furniture, rubber and plastic, hardware and steel, chemical products, healthcare, sports, textile and garments, stationery and agriculture industry as well as other stand-alone converters that do not own a corrugator plant.

The Group specialises in providing customised corrugated cartons and value-added solutions to our customers, leveraging our profound industry expertise in navigating a swiftly evolving marketplace. Our diverse array of corrugated box types encompasses 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. Additionally, the Group supplies measuring cardboard boxes and corrugated flutes comprising single face, single wall, double wall and triple wall corrugated sheetboard, tailored to fulfil diverse industry requirements.

Renowned as one of Malaysia's largest and premier manufacturers and suppliers of corrugated boards and cartons, Ornapaper Group upholds rigorous quality and environmental standards accredited by ISO 9001 Quality Assurance Manual and ISO 14001:2015. The Quality Assurance laboratories of the Group are equipped with various precision testing equipment and apparatus in facilitating the Quality Assurance team to ensure the quality consistency throughout every stage 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. Continual improvement in machinery and technology is emphasized in maintaining our competitive edge in the market.

# Management Discussion and Analysis

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The Group aims to be a premier provider of packaging and related solutions serving the packaging needs of the contemporary manufacturing sector, by improving and strengthening the Group's operational core competency. Majority of the Group's products are meticulously crafted in alignment with customers' specifications and requirements, epitomizing Ornapaper's commitment to delivering unrivaled product quality and exemplary customer service while achieving a sustainable balance between cost optimization and sales value equilibrium. This vision is achieved through streamlined production processes, the cultivation of a skilled workforce through recruitment and training, and the strategic sourcing of high-quality, cost-effective raw materials from reputable vendors to deliver value-added products to our customers.

Leveraging cutting-edge technologies and innovative manufacturing automation, Ornapaper Group is adept at producing top-tier corrugated boards and packaging solutions tailored to meet customers' needs and satisfaction, thereby elevating packaging standards within the industry in Malaysia. Our strategic service points strategically located across Peninsular Malaysia ensure the provision of excellent services and prompt delivery of superior products, underscoring our unwavering commitment to customer satisfaction and delight. Our reputation as a purveyor of premium products, complemented by unparalleled customer service and competitive pricing, has garnered steadfast support from a diverse clientele base. Hence, grounded in progressive management techniques and collaborative teamwork, we are steadfastly committed to achieving continuous improvement in technical proficiency and professionalism.

Furthermore, we are steadfastly committed to coexisting harmoniously with society, serving as custodians of the environment by championing recycling initiatives and adhering to sound waste management practices, thereby fortifying the long-term sustainability of our business operations. In navigating the increasingly intricate operating environment, Ornapaper Group is steadfastly committed to harnessing the power of teamwork to deliver extraordinary results over the long haul. Integral to our organisational ethos is a culture characterised by integrity, transparency, objectivity, and accountability, fostering efficient and effective teamwork and communication amongst our employees, thereby driving Ornapaper Group towards sustained success and exponential growth.

Despite grappling with an array of challenges amidst a backdrop of global and local economic uncertainties, Ornapaper Group remains buoyantly optimistic regarding our overall business performance. Upholding a prudent and conservative approach, we diligently monitor our financial position, exercise vigilant oversight over costs, and meticulously manage cash flow, thereby fortifying our market presence and enhancing operational efficiency. We proactively seek innovative solutions to navigate through turbulent economic conditions, ensuring agility and adaptability in our business and operational strategies. By consistently prioritising an acute understanding of customer needs and dynamic market trends, we continuously pursue avenues for growth and distinctiveness, strategically positioning Ornapaper Group for sustained success in the face of adversity.

# Management Discussion and Analysis

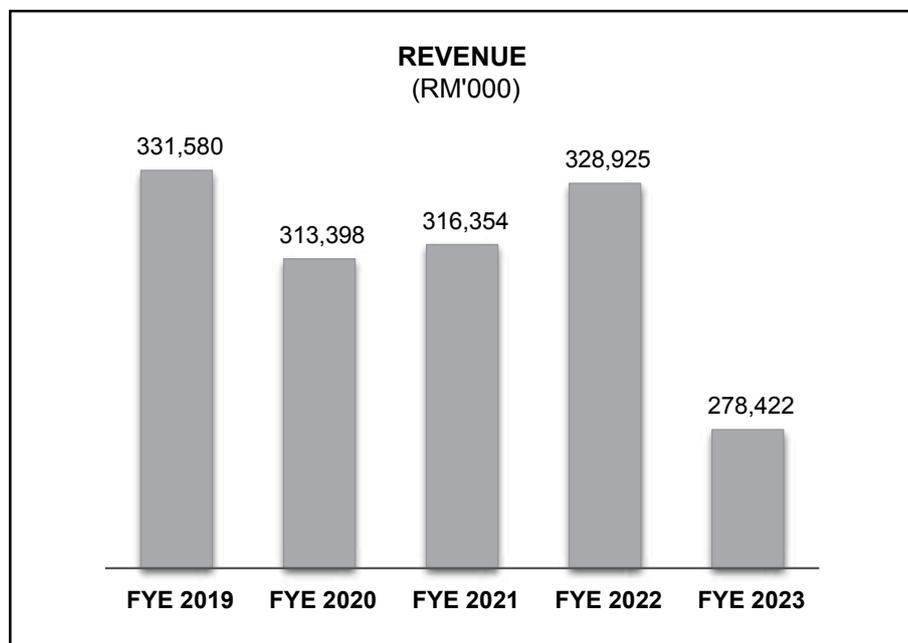
## FINANCIAL REVIEW AND OPERATION REVIEW

**Financial Year Ended 31 December 2023 (“2023”) compared with Financial Year Ended 31 December 2022 (“2022”)**

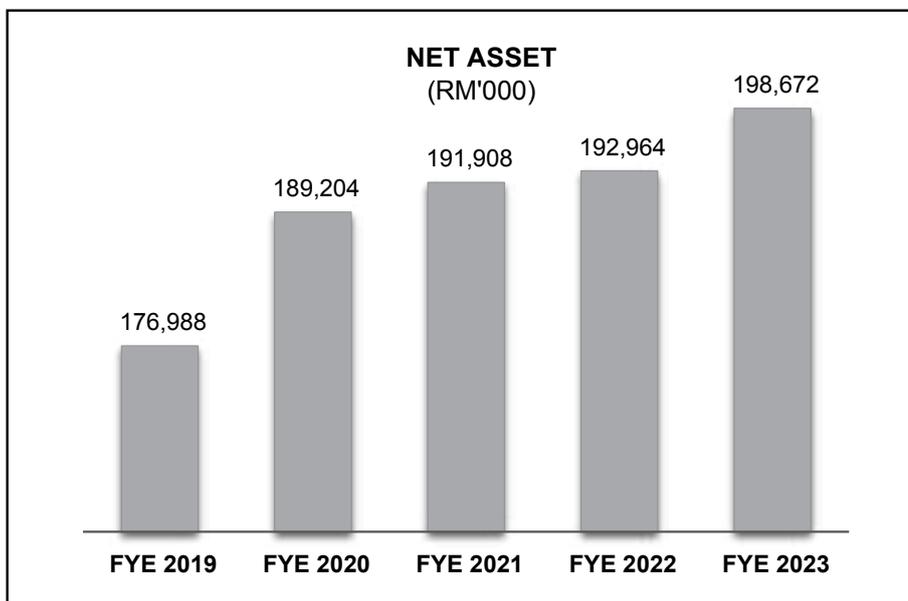
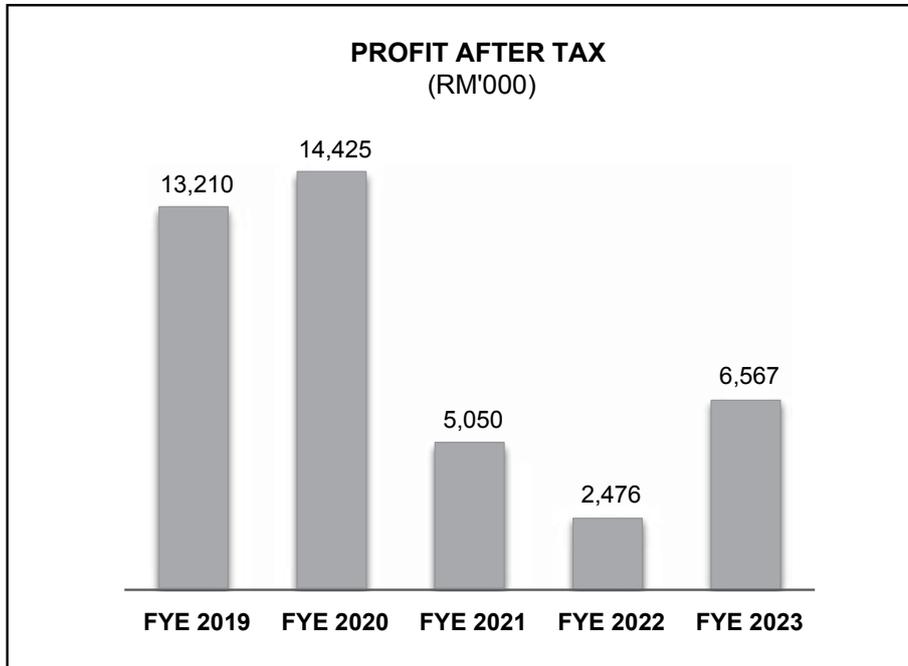
In RM'000 (Unless otherwise stated)	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
REVENUE	331,580	313,398	316,354	328,925	278,422
GROSS PROFIT	48,884	49,172	36,455	33,585	36,125
PROFIT AFTER TAX *	13,210	14,425	5,050	2,476	6,567
NET ASSET	176,988	189,204	191,908	192,964	198,672
NET ASSET PER SHARE (RM) **	2.39	2.55	2.59	2.60	2.68
EPS BASIC (SEN)	17.8	19.5	6.8	3.3	8.9
DIVIDEND PER SHARE (SEN)	3.0	3.25	2.0	1.0	2.0

\* Attributable to Owners of Parent.

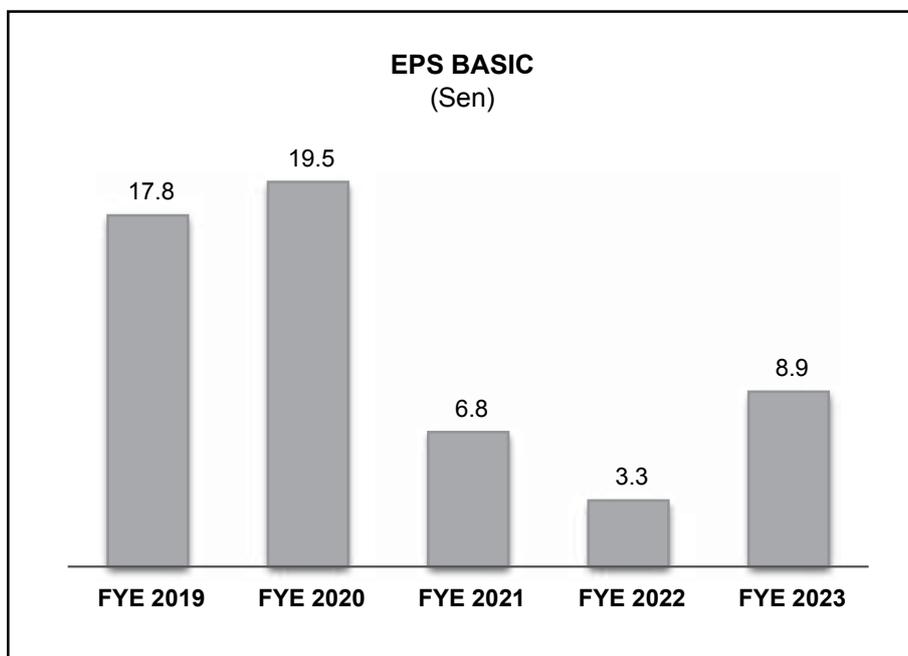
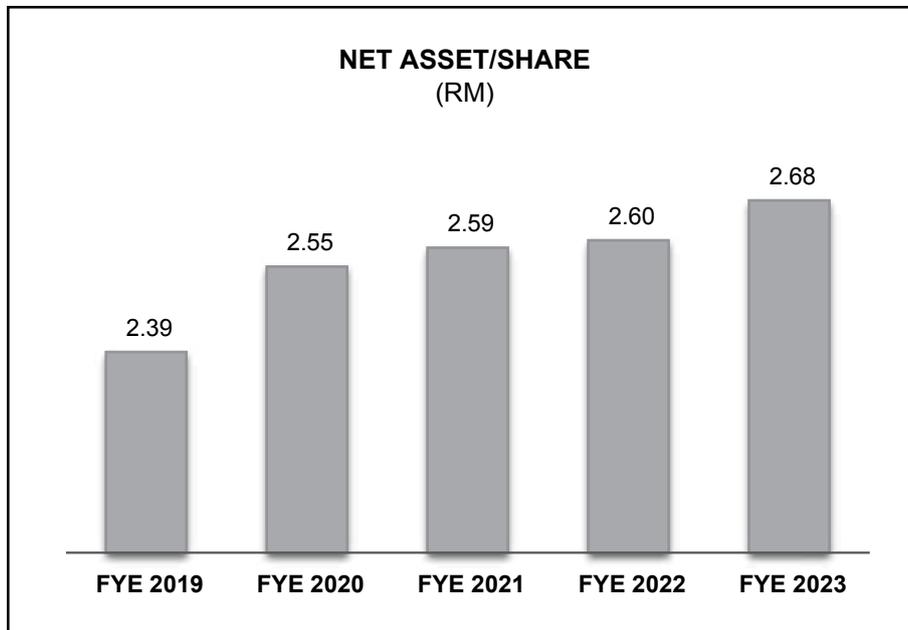
\*\* Exclude Treasury Shares.



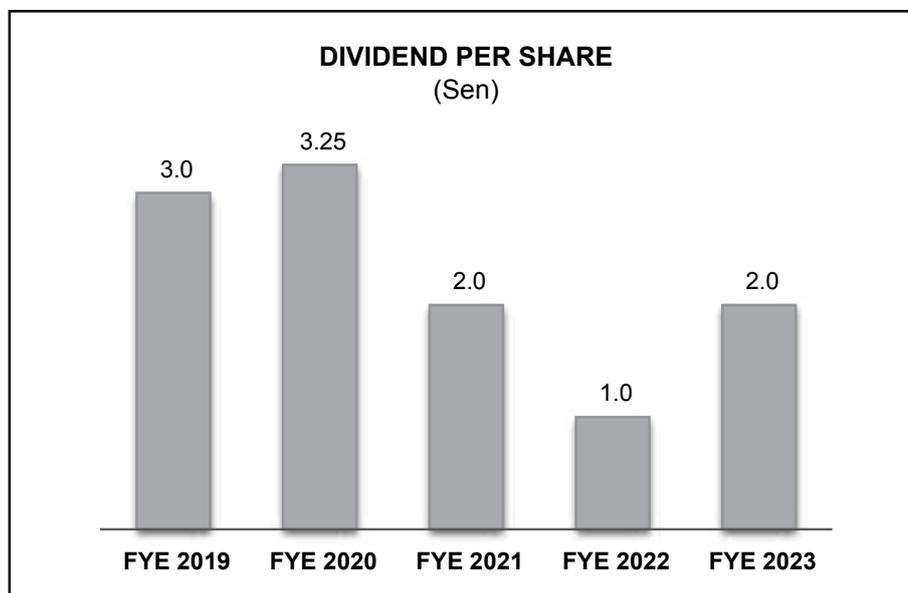
# Management Discussion and Analysis



# Management Discussion and Analysis



# Management Discussion and Analysis



## Revenue, Cost of Goods Sold and Gross Profit Margin

Amidst a complex and dynamic operating landscape influenced by a myriad of factors, both global and local, that impacted our performance and outlook, Ornapaper Group navigated a series of challenges and opportunities throughout the year. Our performance reflects a strategic response to evolving economic, geopolitical, and industry-specific factors, underscoring our resilience and commitment to sustained growth and innovation.

Notwithstanding the challenges encountered, the Group remained resilient by generating a revenue of RM 278.422 million for 2023, a decrease of approximately RM 50.503 million or 15% as compared to the preceding year's revenue of RM 328.925 million. Albeit the slight drop which was primarily contributed by paper packaging division of the Group, the paper packaging division continued 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 2023. Similar to 2022, F&B industry, furniture industry, rubber and plastic industry and E&E industry remained as the top four (4) sectors the Group was serving, accounted for approximately 59% of the Group's sales in 2023.

The slight decrease in revenue for the year was mainly driven by the decrease in average selling price of both paper packaging product and paper-based stationery product by approximately 8% from 2022 to 2023, following with the decrease in average purchase price of paper rolls (per metric tonne ("MT")) from 2022 to 2023. Paper roll is the highest cost component of both the paper packaging and paper-based stationery products. This is demonstrated by the decline in our Group's cost of goods sold by approximately RM 53.043 million or 18% from RM 295.340 million for 2022 to RM 242.297 million for 2023.

Furthermore, the decrease in revenue for the year was underscored by an approximate 8% decrease in sales volume, from approximately 85,363 metric tonnes ("MT") in 2022 to 78,647 MT in 2023, primarily due to the weak market sentiment influenced by a myriad of global and local factors, accompanied with the continual intense competition and pricing pressure from competitors within the same industry.

# Management Discussion and Analysis

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Despite these challenges and uncertainties, Ornapaper Group remained steadfast in its commitment to resilience and innovation. We embraced the changing market dynamics as an opportunity to refine our strategies and enhance operational efficiency. By proactively adapting to the evolving landscape and focusing on customer-centric solutions, we positioned ourselves for sustainable growth and long-term success.

Overall, the gross profit margin of the Group improved from 10% in 2022 to 13% in 2023. The enhancement was primarily attributed to strategic cost management initiatives, resulting in a greater reduction in costs of goods sold compared to the decline in revenue generated by the Group from 2022 to 2023. Central to this improvement was the effective leveraging of arbitrage opportunities between the reduction in the average purchase price of raw materials, particularly paper rolls, and the decline in the average selling price of products, as outlined previously. By capitalizing on this strategic advantage, the Group successfully mitigated the impact of declining revenues on its overall profitability.

## **Costs and Expenses**

- (a) Other expenses decreased by approximately RM 1.477 million or 20%, from RM 7.464 million for 2022 to RM 5.987 million for 2023, mainly due to no impairment charges on plant and equipment during the year, in contrast to impairment losses totalling approximately RM 0.760 million in the previous year.
- (b) Selling and marketing expenses decreased by approximately RM 0.539 million or 12%, from RM 4.358 million for 2022 to RM 3.819 million for 2023. The reduction was primarily driven by decreased sales commission payments to sales personnel during the year, reflecting lower sales volume and deliveries to customers amidst subdued market sentiment.

## **Profit Attributable to Owners of the Company**

Despite the challenging economic landscape with slower momentum and intensified competition with pricing pressures from industry peers, the Group managed to deliver a better profitability in 2023, whereby profit attributable to owners of the Company increased by approximately RM 4.091 million or 165% from RM 2,476 million for 2022 to RM 6.567 million for 2023. The improvement was principally driven by lower cost of goods sold with higher gross profit margin attained compared to preceding year, as a result of lower costs of raw materials including paper rolls incurred by the Group during the year.

Additionally, the profit growth was supported by decreased other expenses incurred during the year compared to preceding year, as a result of no impairment charges in plant and equipment during the year as aforementioned.

## **Property, Plant and Equipment**

Property, plant and equipment of the Group recorded a slight decrease of approximately RM 4.466 million or 4% from RM 105.262 million in 2022 to RM 100.796 million in 2023. The decrease was primarily due to the lesser investment in additional machineries as well as lands and buildings by the Group during the year.

## **Inventories**

Inventories of the Group decreased by approximately RM 9.373 million or 16% from RM 60.348 million in 2022 to RM 50.975 million in 2023. The decrease was primarily attributed to lower average purchase prices of raw materials (especially paper roll which is the highest cost component in producing paper packaging and paper-based stationery products), as well as a decrease in the volume of paper rolls purchased in 2023, aligning with the reduced sales volume during the year.

# Management Discussion and Analysis

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The management has taken the initiative to stringent the procurement planning and inventory management process of the Group. Continuous monitoring of raw materials, especially paper rolls, was performed by the Management in order to be able to respond proactively to any adverse changes or fluctuations in paper roll prices, demand and supply in the global market. The inventory management is better controlled with the Management's practice of procuring new materials, i.e. paper rolls only upon required.

With the approaches employed by the management, the inventory turnover days (average inventories divided by total costs of goods sold for the year) appeared to be relatively stable and manageable with a minimal increase from an average of 79 days in 2022 to an average of 84 days in 2023. While some inventory write-downs were observed, the Group remained adopting a First-In-First-Out approach for its inventory management and closely monitored the inventory levels to ensure operational efficiency and cost-effectiveness.

## **Trade Receivables**

Trade receivables of the Group recorded a decrease by 8.025 million or 12% from RM 66.760 million in 2022 to RM 58.735 million in 2023, which is in line with the decline in revenue attributed to lower average selling prices and sales volumes during the year. Additionally, improved collections from customers resulting from discounts given for prompt payments made was also one of the contributors to the reduction in trade receivables for 2023 compared to the previous year.

Notwithstanding challenging market conditions, the trade receivables turnover days (average trade receivables divided by total sales for the year) remained relatively stable, increasing marginally from an average of 81 days in 2022 to 82 days in 2023. The Group implemented prudent credit management practices to navigate the weak market sentiment and volatile environment effectively.

## **Other Receivables, Deposits and Prepayments**

Other receivables, deposits and prepayments of the Group surged from RM 5.412 million in 2022 to RM 9.489 million in 2023, marking a substantial increase of approximately RM 4.077 million or 75%. This notable increment was primarily driven by heightened progressive payments and deposits disbursed to vendors during 2023 amounted to approximately RM 6.602 million compared to 2022 at approximately RM 3.271 million, for purchases of land held for development as well as machineries for planned upgrade exercise.

## **Trade Payables**

The trade payables balances increased from RM 14.796 million in 2022 to RM 18.193 million in 2023, by approximately RM 3.397 million or 23%. The increase was attributed primarily to the prudent working capital management practiced by the management team. Additionally, the introduction of a new supplier for paper roll purchases in 2023 played an important role in this scenario. The new supplier extended longer credit terms to the Group by providing a 60-day credit term compared to the shorter credit terms (mostly within a month) offered by other existing suppliers. This strategic decision positively influenced the trade payables balances of the Group, enhancing liquidity management and fostering beneficial supplier relationships.

Despite the increase in trade payables balances, the trade payables turnover days (average trade payables divided by total purchases for the year) remained relatively stable and manageable, experiencing a marginal decrease from an average of 27 days in 2022 to an average of 25 days in 2023. This stability underscores the Group's effective management of its payables and its commitment to maintaining a healthy balance between liquidity and financial obligations.

# Management Discussion and Analysis

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## **Loans and Borrowings**

The total short-term and long-term loans and borrowings of the Group decreased by approximately RM 12.207 million or 16% from RM 76.785 million in 2022 to RM 64.578 million in 2023. The decline was primarily attributed to the reduction in utilisation of banker acceptance facilities by the Group in 2023, amounted to approximately RM 12.034 million, following a decrease in purchases of paper rolls during the year.

## **Lease Liabilities**

On overall, the total current and non-current lease liabilities of the Group decreased by approximately RM 0.503 million or 29% from RM 1.749 million in 2022 to RM 1.246 million in 2023. The decrease was primarily driven by the termination of several hostel rental agreements by the Group in 2023.

## **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 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 improve production efficiency in the near future in order to maintain our competitiveness.

From the 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 2.2 times in 2023 as compared to 2 times in the preceding financial year. Meanwhile, the acid test ratio of the Group was relatively stable with a minimal increase from 1.36 times in 2022 to 1.63 times in 2023.

The Group's cash and cash equivalents recorded a significant increase from RM 45.342 million as at 31 December 2022 to RM 59.099 million as at 31 December 2023. This notable growth was primarily driven by a higher net cash inflow generated from the operating activities by the Group, which surged to RM 43.769 million in 2023 compared to RM 23.530 million in the preceding financial year. The improved cash flow from operations was mainly attributable to the increase in trade and other payables in year 2023 as a result of prudent working capital management practiced by the management team. Furthermore, there were a decrease in inventories during the year, driven by lower average purchase prices of raw materials, particularly paper rolls, and a reduction in the volume of paper rolls purchased in 2023 following with the reduced sales volume during the year, further contributed to the enhanced cash position of the Group.

Additionally, the net cash flows used in investing activities marked a notable decrease from RM 29.943 million in 2022 to RM 12.235 million in 2023. The reduced net cash outflow was primarily attributable to the lesser investments in additional machinery, lands and buildings by the Group during the year compared to the previous financial year.

# Management Discussion and Analysis

On the other hand, the increase in cash and cash equivalents was mitigated by increased net cash flows used in financing activities, which recorded a net cash outflow of RM 17.783 million in 2023 compared to RM 1.239 million in 2022. This shift was primarily driven by a reduced net drawdown of new term loans by the Group in 2023, in contrast to the previous financial year. Moreover, higher repayments of borrowings drawn during the financial year ended 31 December 2023 for purchases of paper rolls made during the financial year ended 31 December 2022, contributed to the increased net cash outflow.

## Gearing Ratio

The gearing ratio (net debt divided by shareholders' equity plus net debt) of the Group improved to 14% as of 31 December 2023, compared to 23% as of 31 December 2022. This notable enhancement underscores the Group's adept debt management practices and operational effectiveness. The improvement primarily stemmed from a reduction in short-term loans and borrowings, driven by decreased utilisation of banker acceptance facilities and lower drawdown of new term loans in 2023. These reductions were a response to the decreased paper roll purchases and prudent machinery investments during the year, highlighting the Group's commitment to financial stability and efficient resource allocation.

## REVIEW OF OPERATING ACTIVITIES

In RM'000 (unless otherwise stated)	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
GROSS PROFIT MARGIN (%)	15%	16%	12%	10%	13%
EBITDA MARGIN (%)	11%	12%	8%	7%	9%
REVENUE PER AVERAGE EMPLOYEE	336	314	338	357	293
EBITDA PER AVERAGE EMPLOYEE	36	39	27	24	26
NUMBER OF AVERAGE EMPLOYEES (PAX)	986	998	936	922	951

There are two (2) core operating segments that the Group is involved in, i.e. paper packaging business and paper-based stationery products. The gross profit margin increased to 13% in 2023, representing an improvement from the previous year's 10%, while the earnings before interest, taxes, depreciation and amortisation ("EBITDA") margin also saw an uptick to 9%, up from 7% in 2022. The recorded increments were primarily attributed to strategic measures taken to capitalize on the reduction in average purchase price of raw materials, particularly paper rolls, compared to the decline in average selling price and sales volume during the year. However, despite an increase in the number of average employees to 951, the average revenue generated per employee declined from approximately RM 0.357 million in FYE 2022 to RM 0.293 million in FYE 2023, reflecting the decreased sales volume mentioned earlier.

In pursuit of sustained growth, the Group continues to implement an organic growth strategy aimed at building and expanding its revenue base as well as improving profitability. This strategy involves initiatives such as maintaining and expanding its customer base, reinvesting profits to fuel further growth, and enhancing operational efficiency through improved capacity utilisation, deployment of competent workforce and cost reduction efforts. Nevertheless, the Group remains open to strategic opportunities for mergers or acquisitions should the target company offers promising income accretive potential, value-added proposition, and align with its long-term objectives that complement the existing products produced by the Group, justified by reasonable entry price.

# Management Discussion and Analysis

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By prioritizing operational efficiency, strategic growth initiatives, and prudent financial management, the Group aims to sustain its positive momentum and navigate future challenges in the paper packaging and paper-based stationery products industry.

## **(i) Paper Packaging**

The paper packaging segment of the Group operates 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.

Over the past five (5) financial years, revenue (before intercompany sales elimination) generated by the paper packaging segment has shown positive growth, with slight reductions observed in 2020 and 2023. Notably, there was a slight reduction in revenue by approximately 17% from RM 353.853 million in 2022 to RM 293.007 million in 2023. Similarly, the costs of goods sold (before intercompany purchases elimination) have demonstrated a similar trend as revenue for the past five (5) financial years, decreasing by approximately 20% from RM 321.224 million in 2022 to RM 258.227 million in 2023.

On the other hand, the gross profit margin of the Group's paper packaging segment has experienced slight fluctuations, ranging from 9% to 15% over the past five (5) financial years. Notably, 2020 recorded the highest margin of approximately 15%, while 2022 recorded the lowest margin of approximately 9%. Meanwhile, in year 2023, the gross profit margin improved to approximately 12% despite decreases in both revenue and costs of goods sold. This improvement was primarily driven by leveraging the arbitrage between the reduction in average purchase price of raw materials, especially paper rolls, and the reduction in average selling price during 2023.

During the financial year, five (5) main industries served by the Group's paper packaging segment contributed approximately 59% to the Group's total revenue in 2023, whereby approximately 25% of the revenue was generated from the F&B industry, approximately 11% of the revenue was generated from the furniture industry, approximately 13% of the revenue was generated from the rubber and plastic industry, and approximately 10% of the revenue was generated from the E&E industry. The revenue contributions from these five (5) main industries in 2023 were relatively comparable to the sales contributions in 2022.

Profits before tax generated from the paper packaging segment presented a growth trend over the past five (5) financial years, except for 2021 and 2022, where lesser profits before tax were earned compared to the respective preceding financial years. The profits before tax recorded an increase from RM 5.964 million in 2022 to RM 8.363 million in 2023, driven by the aforementioned factors amidst challenging and volatile global market conditions filled with innumerable uncertainties and weak consumer sentiments.

## **(ii) Paper-Based Stationery**

The paper-based stationery segment of the Group operated by Quantum Rhythm Sdn. Bhd. ("Quantum"). Quantum generated its revenue from the sales of manufacturing products which consist of office products and stationery paper products, as well as the sales of trading items, with revenue contributions of approximately 5%, 90% and 5% respectively to the total revenue of Quantum in 2023.

# Management Discussion and Analysis

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The revenue generated by Quantum recorded a constant decline from 2019 to 2021 but demonstrated positive growth in 2022 and 2023. The revenue increased modestly by approximately 1% from RM 20.166 million in 2022 to RM 20.325 million in 2023, driven mainly by the increase in overall sales volume by approximately 15% from 2022 to 2023. This growth was particularly attributed to robust sales of stationery paper products catering to school usage, original equipment manufacturer (“OEM”), and export purposes. Consequent to the increase in revenue generated by Quantum during the year, the costs of goods sold incurred by Quantum increased marginally too by approximately 0.3% from RM 19.856 million in 2022 to RM 19.909 million in 2023.

On the other hand, other expenses recorded a significant decrease from RM 0.640 million in 2022 to RM 0.358 million in 2023, by approximately RM 0.282 million or 44%, mainly due to no impairment losses on plant and equipment during the year compared to 2022 which recognised an impairment loss of approximately RM 0.3 million.

## **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***

In the current economic climate characterised by slower global trade, trade tensions, global supply chain disruptions, geopolitical uncertainties, tighter monetary policies, and rising inflationary pressures, these factors have contributed to volatile market conditions and raise the specter of an imminent global recession. With global recession an inevitable conclusion coupled with innumerable uncertainties mentioned, the Group anticipates a period of subdued demand and soft consumer sentiment, which may lead to slower sales and tightening working capital availability. Additionally, the volatility of raw material and energy costs may present further cost pressures.

To address these risks, the management had implemented proactive measures. These include ensuring efficient productivity and maintaining product quality, closely managing customer relationships to preserve sales, monitoring collections from customers, prudent working capital planning and cash preservation measures, implementing cost-saving measures, and enforcing strict safety and health protocols to safeguard factory premises against infectious diseases. These measures are aimed at navigating the uncertainties of the economic landscape and maintaining the Group's resilience in the face of adverse conditions.

### **(ii) *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 costs of production. This dependence exposes the Group to the risk of volatile prices and supply consistency concerning key raw materials, particularly paper rolls, which are susceptible to fluctuations driven by wood pulp commodity prices. Therefore, the price volatility may significantly affect the cost structure of corrugated boards, carton boxes and paper-based stationery products produced.

However, such risk is reasonably reduced in the current financial year ended 31 December 2023 due to favourable market conditions, resulting in lower-priced paper rolls sourced from suppliers amid sluggish global demand and supply as well as weak market sentiments worldwide.

# Management Discussion and Analysis

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Nevertheless, to further mitigate potential cost increases while maintaining the profit margins and quality of products produced from time to time, the Group has implemented various initiatives. These include stringent monitoring of costs of raw materials, enhancing production efficiency through optimisation, and minimising wastage. Additionally, the Group maintains close communication with suppliers to promptly address potential volatility-related challenges. Apart from that, continuous and reasonable cost pass-through through revised selling prices is practised by the Sales and Marketing Department of respective subsidiaries in order to remain sustainable. Likewise, the paper rolls sourced from suppliers at lower prices aided the management to reasonably adjust the selling price to a lower price offered to customers.

### **(iii) Foreign Currency Risk**

In light of the imminent global recession and inflationary pressures, coupled with significant uncertainties in the global economic landscape, the operating environment for the Group is expected to become increasingly challenging. Of particular concern is the volatility of the Malaysian Ringgit ("RM") against major currencies transacted by the Group, such as, the United States Dollar ("USD"), Renminbi ("RMB"), Singapore Dollar ("SGD"), and Euro ("EUR"), which may adversely impact the Group's profit margins. The Group is exposed to the foreign currency risk primarily in its sales of paper-based stationery products and purchases of raw materials, including paper rolls and machinery, denominated in USD, RMB, SGD, and EUR, given the strengthening of these currencies against the RM.

Despite these challenges, the Group does not practice or actively engage in foreign currency hedging due to the unpredictable nature of currency fluctuations, especially amidst the current volatile economic conditions. Instead, the management of foreign currency risk is approached through vigilant monitoring of currency movements with limited occasional hedging using forward contracts when deemed necessary, alongside prudent cash flow planning by the management team. Furthermore, to mitigate the impact of foreign currency fluctuations on the cost of production, the Group has taken steps to reduce its reliance on imported paper rolls by sourcing more from local suppliers. This not only helps minimise exposure to exchange rate fluctuations but also fosters economic sustainability within the local community, reflecting the Group's commitment to responsible and resilient business practices.

### **(iv) Competitive Risk**

The competitive landscape in the paper and packaging industry is characterised by the dominance of larger and established players who maintain control over the upstream supply chain. Meanwhile, the small-scale paper and packaging players will have difficulty increasing profit margins in the paper and packaging market due to limited access to capital for technology upgrades and weaker bargaining power in sourcing raw materials, especially in the event of scarcity and price surges in paper rolls, which are then lead to higher production costs to be incurred and hence higher selling price offered to customers in order to sustain further. Consequently, smaller players may be compelled to consolidate through mergers and acquisitions facilitated by larger firms seeking to expand market share.

Therefore, in this environment, it is imperative for the Group to assert and maintain competitiveness. This entails cultivating a diverse customer base across various industrial sectors and product categories to mitigate competitive pressures. Additionally, the Group prioritises the development of a skilled workforce through comprehensive training programs to optimise productivity, minimise waste, and uphold product quality and services. Investments in automation machinery and plant expansion further enhance efficiency and scalability, enabling the Group to offer competitive pricing structures to customers.

# Management Discussion and Analysis

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## (v) Credit Risk

The Group acknowledges the heightened credit risk posed by the prevailing weak market sentiment, exacerbated by uncertainties surrounding global and local economic recovery. To address these challenges, the Group has adopted a strategic and feasible sales and marketing approach balanced with prudent credit management and sustainable sales growth initiatives. This involves the implementation of comprehensive credit management policies and processes, including proactive credit monitoring and negotiation of temporary payment measures when necessary. Additionally, the Group remains committed to tightening credit where appropriate to mitigate potential risks. Despite the challenging business landscape, majority of the Group's trade debtors have consistently adhered to approved credit terms, reflecting the effectiveness of its credit management practices.

## FUTURE OUTLOOK

Malaysia's paper packaging and paper-based stationery industry is an integral part of the economy, serving a broad range of sectors across the country and the region. The industry's reliance on paper rolls, its primary raw material, is heavily influenced by the global availability and pricing of paper rolls, which can be volatile and unpredictable. This, in turn, poses significant challenges for industry players who must forecast and plan their raw material purchases in the face of geopolitical tensions and economic uncertainties.

It is worth noting that paper rolls are the most expensive component in producing paper packaging and stationery products. The industry's success is closely tied to the performance of the sectors it serves, and fluctuations in the availability and pricing of raw materials can significantly impact the industry's bottom line. As such, industry players must stay abreast of global trends and developments to make informed decisions and remain competitive.

The global economic landscape is confronted with significant and daunting challenges over the next few years, primarily as risks tend toward the downside. Emerging and developing economies are grappling with increasing inflation, rising debt burdens, and widening income disparities, which are formidable obstacles to their recovery efforts. Additionally, the world is dealing with the repercussions of escalating energy prices and widespread supply chain disruptions that exert pressure on global inflation and hinder economic growth. On the downside, new commodity price spikes from geopolitical shocks<sup>1</sup>, including continued attacks in the Red Sea, and supply disruptions or more persistent underlying inflation could prolong tight monetary conditions.

Amid these overarching challenges, the conflict between Russia and Ukraine only adds complexity and presents an obstacle to the global economic rebound. The outbreak of war in Ukraine has led to soaring food and fuel prices, exacerbated by economic sanctions imposed by numerous countries against Russia. Moreover, oil prices experienced notable fluctuations as the Israel-Hamas conflict escalated<sup>2</sup>. The heightened tensions led to concerns over potential supply disruptions, contributing to the price surge. Such conflicts have disrupted regional stability and has had a global impact, driving energy costs and exacerbating supply chain bottlenecks.

Of particular note, the intensification of the war poses additional challenges, as defence spending needs may significantly increase due to mobilisation and heightened war intensity. This could lead to adverse confidence effects and financing gaps. The prospect of a longer and more intense war beyond 2024 remains a significant risk to the baseline economic outlook.

<sup>1</sup><https://www.mida.gov.my/mida-news/manufacturing-sector-mixed-trends-brighter-outlook-for-2024/>

<sup>2</sup><https://www.manulifeim.com.my/insights/Q1-2024-malaysia-market-review.html>

# Management Discussion and Analysis

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Despite these adversities, the International Monetary Fund (IMF) highlights Ukraine's economic resilience amidst war-related uncertainties, as evidenced by stronger-than-expected macroeconomic outcomes in 2023<sup>3</sup>. However, with headwinds resurfacing in 2024, growth projections are tempered due to ongoing uncertainties surrounding the conflict. Consequently, the amalgamation of these uncertainties dampens growth forecasts and presents significant hurdles to sustained economic development.

The IMF forecasts that the global economy will maintain stability in the coming years, with growth rates projected at 3.1 percent in 2024, followed by a modest uptick to 3.2 percent in 2025<sup>4</sup>. Although these projections show improvement from previous estimates, they still fall below the historical average of 3.8 percent. The slight increase in growth is attributed to positive developments in major economies such as China and the United States. However, this anticipated growth trajectory has its challenges. Advanced economies may experience a marginal decline in growth during 2024 before rebounding in 2025. Meanwhile, emerging markets and developing economies are expected to sustain stable growth rates, albeit with regional variations.

Global trade growth is forecasted to lag behind historical averages due to persistent trade distortions and increasing restrictions. These factors contribute to a cautious outlook for international trade despite ongoing efforts to mitigate barriers to commerce. The IMF's projections hinge on several key assumptions, including declining commodity prices and lower interest rates in major economies. These factors will influence global economic dynamics in the coming years, shaping growth and inflation worldwide.

In Malaysia, the outlook suggests that headline and core inflation will maintain a modest trajectory, reflecting stable conditions in cost and demand. However, this projection is subject to potential shifts in domestic policies, such as adjustments in subsidies and price controls, fluctuations in global commodity prices, and developments in financial markets. Since the latter half of 2023, underlying inflation measures have declined discernibly. This decline can be attributed to various factors, including disinflationary pressures aligning with global trends and the impact of adjustments made to the Overnight Policy Rate ("OPR") by the Monetary Policy Committee ("MPC")<sup>5</sup>. The MPC's strategic assessment of the prevailing OPR level aligns with its overarching objective of fostering sustainable economic growth while simultaneously upholding price stability.

In addition to the global outlook, Malaysia's economic prospects appear promising, with the nation poised for growth driven by resilient domestic expenditure and a revival in external demand. The Malaysian economy is projected to experience growth ranging between 4% and 5% in 2024<sup>6</sup>, primarily fuelled by sustained expansion in domestic demand and an anticipated improvement in external demand. Positive indicators include a projected rebound in global trade growth and continued improvements in the tourism sector, which are expected to bolster Malaysia's exports. Trade activity is anticipated to gradually recover in line with the rebound in global trade, with gross exports projected to expand, benefiting both electronics and non-electronics exports. Gross imports are also expected to increase, primarily due to higher intermediate imports and robust domestic demand.

Domestic demand is forecasted to remain the principal driver of growth, with household spending expected to accelerate, supported by improving labour market conditions and targeted government assistance<sup>7</sup>. Private investment is also projected to strengthen, buoyed by the progress of multi-year projects and ongoing efforts in automation and digitalisation. Tourist arrivals and spending are forecasted to increase, further contributing to economic expansion.

<sup>3</sup><https://www.imf.org/en/Publications/CR/Issues/2024/03/22/Ukraine-Third-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-546741>

<sup>4</sup><https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024>

<sup>5</sup>[https://www.bnm.gov.my/documents/20124/12141961/emr2023\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/12141961/emr2023_en_box1.pdf)

<sup>6</sup>[https://www.bnm.gov.my/documents/20124/12141961/emr2023\\_en\\_ch2.pdf](https://www.bnm.gov.my/documents/20124/12141961/emr2023_en_ch2.pdf)

<sup>7</sup>[https://www.bnm.gov.my/-/qb23q4\\_en\\_pr](https://www.bnm.gov.my/-/qb23q4_en_pr)

# Management Discussion and Analysis

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As a result, most sectors are expected to experience growth in 2024, with the services and manufacturing sectors playing key roles in driving overall economic growth. Recent data from the Industrial Production Index (IPI) corroborates this outlook, showing a rebound to 4.3% in January 2024<sup>8</sup>. This growth was led by expansion across all sectors, with the manufacturing sector experiencing the highest surge at 3.7%, marking the highest growth rate since May 2023. Overall, these indicators signal a strengthening economic landscape and bode well for sustained growth in the coming months.

Notwithstanding the impending global recession, the Group remains sanguine about the future economic outlook. The Group acknowledges the inevitable impact of the global downturn on businesses worldwide, and its commitment to navigating these challenges with prudence and resilience is unwavering. The Group focuses on safeguarding its sales, managing capital prudently, and implementing cost-saving measures to mitigate the effects of the downturn effectively.

Additionally, we recognise the importance of retaining a skilled workforce to drive our business forward during these uncertain times. However, quantifying the precise financial impacts amid prevailing uncertainties and geopolitical issues remains challenging. Nonetheless, the Group remains steadfast in its dedication to implementing additional risk mitigation measures to successfully navigate these headwinds. Despite the external challenges, we maintain a positive outlook and are confident in adapting and thriving in the evolving economic landscape. Through strategic planning and prudent management, we aim to overcome obstacles and emerge stronger in adversity.

As the market for such products expands, the global paper industry is poised for substantial growth, particularly in paper packaging. As Malaysia moves into the endemic phase of COVID-19, there is still a discernible need for innovative packing materials, such as paper packaging, to manage any unnecessary risks during shipping. As a top paper packaging company, the Group anticipate a significant increase in the demand for paper packaging products widely used in consumer goods packaging and e-commerce packaging. The rapid expansion and convenience of online shopping and delivery-on-demand services drive this trend.

Online shopping has brought about a significant transformation in consumer behaviour, influencing their preferences towards more environmentally sustainable packaging options. As consumers increasingly gravitate towards the convenience and accessibility of online shopping, they also become increasingly mindful of the environmental impact of packaging materials. The proliferation of online retail has exposed consumers to a broader range of products and packaging options, raising awareness of sustainable practices and the importance of selecting eco-friendly packaging materials. Consequently, many consumers actively seek products packaged in environmentally sustainable materials such as green packaging and corrugated packaging. This trend underscores the need for businesses to incorporate sustainable packaging practices into their operations, demonstrating their commitment to environmental sustainability while meeting consumer demand.

The growth of the paper industry has been further fuelled by initiatives to reduce plastic usage, leading to the adoption of eco-friendly alternatives. This transition towards sustainability has emerged as a significant growth driver, reflecting the global trend towards environmental consciousness. These eco-friendly materials offer functionality, recyclability, and environmental friendliness, aligning with the growing emphasis on reducing environmental impact.

<sup>8</sup>[https://www.dosm.gov.my/uploads/release-content/file\\_20240329120613.pdf](https://www.dosm.gov.my/uploads/release-content/file_20240329120613.pdf)

# Management Discussion and Analysis

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In addition, stringent regulations that favour sustainable practices have propelled market expansion, compelling companies to adopt eco-conscious packaging solutions<sup>9</sup>. 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 Malaysian government has implemented an initiative to prohibit the usage of disposable single-use plastic by the year 2025<sup>10</sup>. Such a prohibition initiative may lead to potential positive prospects for paper packaging which has been seen as the most environmentally 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 economical 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.

Moreover, rising consumer preference for biodegradable packaging has further fuelled industrial growth, mirroring a global shift towards environmentally responsible choices. The versatility of these materials is evident across various sectors, where the visually appealing and customisable nature of paper and paperboard packaging benefits the retail sector while also ensuring product integrity and meeting regulatory requirements in other industries. The market remains at the forefront of sustainable solutions, driven by trends towards biodegradability, regulatory support, and continuous innovation. The enduring preference for these materials and their environmental advantages position the market for sustained growth as industries prioritise eco-conscious packaging options.

Looking ahead, it is important for the Group to continue diversifying the business and operation strategies to avoid overreliance on any single industry group and broaden the customer and industry bases in coming years as the business landscape and delivery mode are expected to shift especially after experienced through the last Covid-19 endemic that has fundamentally reshaped the economy and the way we conduct our businesses and daily affairs. Therefore, in order to sustain itself in the aftermath of the endemic and imminent recession, it is important for the Group successfully navigating through these challenges to position itself as the green partner, focusing on environmental conservation and providing value-added services to customers beyond being solely a packaging material supplier.

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 2024 as the business environment continues to be incredibly challenging following the worsening geopolitical crisis, inflationary pressures, political instability and other uncertainties. Although the operating landscape remains volatile, the Group will continue to stay agile while navigating the headwinds and keeping steadfast in enhancing the customers' experience. The Group will continue its effort to align its business strategies, improve operational efficiency and product quality in navigating through the challenging and intensely competitive market environment.

<sup>9</sup><https://themalaysianreserve.com/2024/02/06/paper-and-paperboard-packaging-a-market-analysis-of-its-growth-potential-environmental-benefits-and-industry-applications-till-2034/> <https://www.thestar.com.my/news/nation/2023/05/09/total-ban-on-plastic-bags-by-2025-says-nik-nazmi>

<sup>10</sup><https://www.thestar.com.my/news/nation/2023/05/09/total-ban-on-plastic-bags-by-2025-says-nik-nazmi>

# Management Discussion and Analysis

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## DIVIDEND

A final single-tier dividend of 1 sen per ordinary share (net of treasury shares) was distributed to the shareholders on 19 May 2023 in respect of the financial year ended 31 December 2022, amounting to approximately RM 0.742 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 2023 has been declared for payment on 20 May 2024 to shareholders registered in the Register of Members on 3 May 2024, amounting to approximately RM 1.483 million.

The Group adopts a 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 considers distributing excess profits generated after taking into consideration the cash reserve requirements for the black swan event, planned capital expenditures and working capital requirements in the 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 Malaysian Code on Corporate Governance (“**MCCG**”) issued by Securities Commission Malaysia. The Board is firmly committed to accountability and transparency at every level of the organisation, which 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 2023, unless specified otherwise.

The application of each practice set out in the MCCG during the financial year is 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 Report for the financial year under review is available for download from the Company’s website at [www.ornapaper.com](http://www.ornapaper.com) as well as via 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 and the Board is guided by the **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](http://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 these plans are consistent with corporate objectives. The plans should support long-term value creation and include strategies that take into account economic, environmental and social considerations, thus underpinning sustainability;
- Oversee the conduct of the Group’s (including its subsidiaries) business and evaluate whether the business is being properly managed;
- 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 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;

# Corporate Governance Overview Statement

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- Identify principal risks of the Group (including its subsidiaries) and ensure 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 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, as well as appointing members of the Key Senior Management of the Group. Ensure that such Directors or members of the Key Senior Management possess the required character, experience, integrity, competence and time to:
  - effectively and diligently discharge their responsibilities and duties, contributing 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 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 the Corporate Disclosure Policy for the Group (including its subsidiaries) to enable effective communication with stakeholders and 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, environmental and social matters and potential risks in relation to the businesses of the Group and the interests of all affected stakeholders are taken care of;
- Review the adequacy and integrity of the internal controls system and management information system of the Company and its subsidiaries, and that the 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 the Sustainability Policy for the Group (including its subsidiaries) to manage economic, environmental 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;
- 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 the appropriate internal control system to support, promote and ensure its compliance;

# Corporate Governance Overview Statement

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- Oversee the development and implementation of the Whistleblowing Policy for the Group (including its subsidiaries) to enable genuine concerns to be 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 practices 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 are 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 the effectiveness of the Board. During the financial year under review, Non-Executive Directors ("**NED**") meet among themselves without the presence of Executive Chairman and Executive Directors to discuss strategic, governance and operational issues.

A summary of the responsibilities of the Executive 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.

To ensure that there is a balance of power and authority within the Board, the position of the Executive Chairman of the Board and CED is separated and there is a clear division of responsibility between the Executive Chairman of the Board and CED. The Executive Chairman of the Board 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 the Executive Chairman of the Board and CED is disclosed in Practice 1.3 of the CG Report.

In compliance with MCCG, the Executive Chairman of the Board is not a member of the Audit Committee ("**AC**"), Nomination Committee ("**NC**"), Remuneration Committee ("**RC**") and Board Risk Management Committee ("**BRMC**") nor did he attend the meetings of such board committees by way of invitation during the financial year under review in order to maintain objective oversight roles of the Executive Chairman of the Board in leading the Board of the Company. Kindly refer to Practice 1.4 of the CG Report for further details.

The Independent Non-Executive Directors ("**INED**") 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 is 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 authority and discretion to the Executive Directors, representing the Management, as well as a reasonable level of the Board's duties to the formally constituted Board Committees.

# Corporate Governance Overview Statement

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The Board Committees (AC, NC, RC and BRMC) are entrusted with specific responsibilities to oversee the Company's affairs, in accordance with their respective **Terms of Reference** 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 to and oversee the heads of department, who are responsible for day-to-day operational efficiency and effectiveness and compliance with relevant laws and regulations as well as the procedures and authorities granted per the Group's operating procedures and Limit of Authority Matrix approved by the Executive Directors. The authorisation procedures for key processes are stated in the Group's policies and procedures.

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 and Executive Directors, Non-Executive Directors ("**NED**"), Company Secretaries and matters reserved for the Board), and Board activities and processes (Board meetings, Directors' training, Directors' remuneration and Board and member assessment), financial reporting, access to information and independent advice, stakeholder's engagement, general meeting and attendance, conflict of interest, code of conduct of Directors and group governance's responsibility.

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

The **Board Charter** is available for reference at the "Corporate Governance" section of "Investor Relations" of the Company's website [www.ornapaper.com](http://www.ornapaper.com). The **Board Charter** was last reviewed and updated on 30 December 2021.

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

In ensuring 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 established by the Board to govern the standards of ethics and good conduct expected for the Directors, Management and employees of the Group. The **Code of Conduct** forms the cornerstone for the establishment of the integrity and ethical value expected and which are incorporated in the **Employees Handbook**.

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

# Corporate Governance Overview Statement

To foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrongdoing in the Group, the Board established the **Whistleblowing Policy** to enable the employees and other interested parties to confidentially report 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.

The **Code of Conduct, Anti-Bribery and Corruption Framework** and **Whistleblowing Policy** are available for download from the "Corporate Governance" section of "Investor Relations" of the Company's website at [www.ornapaper.com](http://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 2023, five (5) meetings have been held and the attendance of each of the Directors is as follows: -

Names of Directors	Number of Meetings Attended
Ang Kwee Teng *	2/2
Sai Chin Hock	3/5
Sai Han Siong	5/5
Sai Ah Sai	5/5
Tan Chin Hwee	5/5
Siow Kee Yen ^	3/3
Datuk Adillah binti Ahmad Nordin ^^	2/3
Lim Kit Ming *	2/2
Sean Ne Teo *	2/2
Lim Joo Song *	2/2

^ Ceased to hold the office with effect from 31 May 2023

^^ Resigned with effect from 31 May 2023

\* Appointed with effect from 1 June 2023

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

Board Committee meetings held during the financial year under review were not combined with the Board Meetings and the Executive Chairman of the Board did not participate, including by way of invitation, in the meetings of AC, NC and RC during the financial year under review.

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 decisions, the Board's approval is sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision to be made.

Kindly refer to Practice 1.4 and 1.6 of the CG Report for the Board meeting's proceedings and activities.

# Corporate Governance Overview Statement

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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 the stipulated time prior to the meeting 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 meeting materials and supply of information.

- **Composition of the Board**

The Group is headed by an effective Board with the 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 NC 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 NC in February 2024 and the recommendations for the re-appointment of Directors for the forthcoming Annual General Meeting ("**AGM**") were made after NC 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 satisfactory 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 the review of the Board composition and tenure of individual Directors and that re-appointment is based on a satisfactory evaluation of the Director's performance and contribution to the Board.

Mr. Ang Kwee Teng was re-designated from Non-Independent Non-Executive Director to the Executive Chairman of the Company on 18 August 2023. The Executive Chairman of the Company leads the Board by establishing the overarching direction and ensuring the Board's effectiveness in strategic planning, governance, and compliance.

# Corporate Governance Overview Statement

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The Board currently comprises eight (8) members of which four (4) are Executive Directors, one (1) Non-Independent and Non-Executive Director (“NINED”) and three (3) are INEDs. The profiles of the Directors are set out in the Profile section of this Annual Report.

The composition of INEDs is in compliance with the minimum prescribed requirement in the MMLR to ensure that there is sufficient independent element in the Board to provide the necessary checks and balances within the Board.

Although the above composition is a departure from Practice 5.2 of MCCG which requires that at least half of the Board comprise INEDs, the Board is of the opinion that an adequate degree of independence is maintained even though only 37.5% of the Board are INEDs. The Board came to this conclusion after taking into consideration the satisfactory results of formal assessments conducted on the Board and the independence of the INEDs. Besides that, the Board noted that the INEDs are professionals who have a diverse range of skills, knowledge and experience in relevant fields and the INEDs had demonstrated their independence and objectivity and actively participated during the Board and Board Committees’ proceedings. Therefore, there is no disproportionate imbalance of power and authority on the Board between the Non-Independent and Independent Directors. It is the medium-term focus of the Board to seek new Independent Directors to be appointed to the Board in order to comply with Practice 5.2.

Please refer to Practice 5.2 of the CG Report for further details.

- **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 for proposing the appointment of a new director. The appointment of a 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, no active politician has been 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 of the policy on board diversity per ***Policy and Procedure on Nomination and Appointment of Director and Senior Management and Re-Appointment of Director***.

At present, there is one woman representation on the Board which is a departure from Practice 5.9 of MCCG which requires at least 30% women representation. Based on the ***Board Charter***, the Board had set its sights on meeting the requirement to have at least one (1) woman representation on the Board of the Company. Presently, there is one (1) woman 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. Kindly refer to Practice 5.9 and 5.10 of the CG Report.

# Corporate Governance Overview Statement

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

Appointment of a new Director to the Board and member of Key Senior Management are recommended by NC to the Board for consideration and approval. The processes and criteria (including fit and proper and 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 AGM 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 AGM of the Company. All Directors (including CED) 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 are 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*.

The recommendations of re-appointment of retiring directors during the AGM were only made by NC to the Board and the Board to the shareholders of the Company upon satisfactory results of fit and proper and conflict of interest check, independence assessment (for INEDs) and performance evaluation of such Directors by NC. To facilitate the informed decision by the shareholders on the re-appointment of retiring directors during the AGM, disclosures were made in the notes to the agendas of the general meeting that such retiring Directors had met the criteria as prescribed under Paragraph 2.20A of MMLR on character, experience, integrity, competence and time commitment with reference made to the profile of the Director (which includes disclosure of conflict-of-interest situation, if any).

All existing Directors of the Company were recommended by the Board members and existing shareholders of the Company. There is a departure from Practice 5.6 of MCCG as the appointment of new Directors during the financial year was without reference made to a candidate from an independent source.

Please refer to Practices 5.6 and 5.7 of the CG Report for the details on the nomination and election, appointment and re-appointment process of the Director and member of Key Senior Management as well as justification for departure from Practice 5.6 of MCCG in relation to sourcing of candidates without reference to independent sources during the financial year.

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

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

# Corporate Governance Overview Statement

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On an annual basis, the Company Secretaries circulate 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 NC and the Board for the Company Secretaries to collate the assessments/evaluations results for NC to review and report to the Board.

During the financial year under review, the Board, through the NC, conducted performance evaluation by using the *Board and Board Committee Evaluation Form*, the *Directors' Self-Evaluation Form* for individual Directors and the assessment on the term of office and effectiveness of the AC (including the performance of its individual members) through *Audit Committee Members' Peer Performance Evaluation and Audit Committee Evaluation Form*.

Based on the above evaluations conducted for the financial year 31 December 2023, the NC 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 AC and its members, the Board is of the opinion that the AC 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 NC to the Board for review, acceptance and deliberation.

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 INED**

In order for INEDs to present independent and objective judgement to the Board for deliberation and to ensure that conflict of interest or undue influence from interested parties is well taken care of, it is the responsibility of the Board to ensure the independence and objectivity of INED to be appointed via independent assessment performed by the NC prior to their appointment based on formal nomination and selection process with the results of the review reported to the Board for consideration and decision.

Annually, all INEDs are subject to independence assessment by the NC and it is recommended to the Board to form an opinion on the independence of the INEDs. In addition, written independence declaration for the individual INEDs were obtained annually. Based on the independence assessment performed and the independence declaration obtained from INEDs during the financial year under review, the NC and the Board are satisfied with the level of independence demonstrated by INEDs, and their ability to bring independent and objective judgement during board deliberations.

The tenure of an INED, as stated in the **Board Charter**, shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, such INED 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 INED after the ninth (9th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

Two INEDs, i.e. Mr. Siow Kee Yen and Datuk Adillah binti Ahmad Nordin, who had served for a cumulative term of more than twelve (12) years ceased to hold office or resigned as Director of the Company on 31 May 2023. Subsequently, two (2) new INEDs were appointed on 1 June 2023 as replacements.

# Corporate Governance Overview Statement

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On the other hand, Mr. Tan Chin Hwee had served on the Board for a cumulative term of more than nine (9) years but less than twelve (12) years. Based on the independence assessment performed and independence declaration obtained from Mr. Tan Chin Hwee, the Board concluded that Mr. Tan Chin Hwee, remains objective and independent during the deliberations and decision-making of the Board and Board Committees he is in. The length of his service on the Board did not interfere with his independent judgment and he continues to act in the best interest of the Group. To remain as an INED, Mr. Tan Chin Hwee will be subjected to two-tier voting in the forthcoming 22<sup>nd</sup> AGM.

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

- **Time Commitment**

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

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 an effective remuneration policy that serves to attract, retain and motivate the Directors and Key Senior Management in pursuit 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 RC and serves as guidance when reviewing the proposed remuneration package of the members of the Board and Key Senior Management. Major components of the remuneration package for the Executive Director, members of Key Senior Management and NED are specified in the Policy.

The RC 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. Directors who are shareholders and controlling shareholders with a nominee or connected Director on the Board will abstain from voting at general meetings to approve the remunerations to be paid to such interested Director.

Please refer to Practices 7.1 and 7.2 of the CG Report for the details of the **Remuneration Policy for Directors and Senior Management** and a summary of details of the **Terms of Reference of RC**.

Please refer to Practices 8.1 of CG Report for the breakdowns of remuneration of individual Directors (including fees, salary, bonus, benefits in-kind and other emoluments) on a named basis for the financial year ended 31 December 2023.

Please refer to Practice 8.2 of the CG Report for the disclosure on a named basis top five (5) Key Senior Management members' remuneration component in bands of RM50,000.

# Corporate Governance Overview Statement

## • Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board delegates certain functions to certain Committees, namely AC, NC, RC and BRMC with each operating within its clearly defined terms of reference. The Chairman of the various Committees reports to the Board on the outcome of the Committee meetings.

### ◦ AC

The composition and terms of reference of the AC, 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.

### ◦ NC

The NC comprises of three (3) INEDs which is in compliance with the MMLR and chaired by an INED. During the financial year ended 31 December 2023 under review, the NC 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/INED	3/3
Lim Kit Ming *	Chairman/INED	Not Applicable
Datuk Adillah Binti Ahmad Nordin ^^	Member/INED	2/3
Tan Chin Hwee	Member/INED	3/3
Sean Ne Teo *	Member/INED	Not Applicable

^ Ceased to hold the office with effect from 31 May 2023

^^ Resigned with effect from 31 May 2023

\* Appointed with effect from 1 June 2023 after the last meeting of NC held during the financial year

The NC 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 NC** is available for download at the "Corporate Governance" section of "Investor Relation" of the Company's website at [www.ornapaper.com](http://www.ornapaper.com).

Three (3) NC meetings were held during the financial year to review and assess, the performance of the Board, the Board Committees (including AC and members of AC), individual Directors, the independence assessment of INEDs and the proposed nomination of new Directors as well as re-appointment of Director. The results of the review and assessment were reported to the Board for review and deliberation.

During the financial year ended 31 December 2023, two (2) INEDs, one (1) NINED and one (1) Executive Director were appointed to the Board of the Company. Subsequently, the NINED was re-designated to Executive Chairman on 18 August 2023.

Please refer to Practices 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 NC and its activities.

### ◦ RC

The RC 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 members of Senior Management. The RC is guided by formal **Terms of Reference**. Further disclosure on the RC (and its activities) and **Remuneration Policy for Directors and Senior Management** are disclosed in Practices 7.1 and 7.2 of the CG Report.

# Corporate Governance Overview Statement

The RC comprises three (3) INEDs which complies with the requirement of the MCCG and their attendance during the financial year are as follow:-

Name	Position	Number of Meetings Attended
Datuk Adillah Binti Ahmad Nordin <sup>^</sup>	Chairperson/INED	Not Applicable
Sean Ne Teo <sup>*</sup>	Chairperson/INED	1/1
Siow Kee Yen <sup>^^</sup>	Member/INED	Not Applicable
Tan Chin Hwee	Member/INED	1/1
Lim Kit Ming <sup>*</sup>	Member/INED	1/1

<sup>^</sup> Resigned with effect from 31 May 2023 before the meeting of RC was held

<sup>^^</sup> Ceased to hold the office with effect from 31 May 2023 before the meeting of RC was held

<sup>\*</sup> Appointed with effect from 1 June 2023

The RC 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 of the RC** is available in the "Corporate Governance" section of "Investor Relations" of the Company's website at [www.ornapaper.com](http://www.ornapaper.com).

During the financial year ended 31 December 2023, the RC met once to review the remuneration package of the Executive Directors and the Key Senior Management and Directors' fees and benefits of the NEDs and recommended of the same to the Board for approval or recommendation to shareholders for ratification (if required).

## ◦ BRMC

The BRMC 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 risks highlighted by business units.

The BRMC comprises three (3) INEDs, in compliance with the Step-Up practice recommended by the MCCG and their attendance during the financial year is as follows:

Name	Position	Number of Meetings Attended
Tan Chin Hwee	Chairman/INED	2/2
Datuk Adillah Binti Ahmad Nordin <sup>^</sup>	Member/INED	0/1
Siow Kee Yen <sup>^^</sup>	Member/INED	1/1
Lim Kit Ming <sup>*</sup>	Member/INED	1/1
Sean Ne Teo <sup>*</sup>	Member/INED	1/1

<sup>^</sup> Resigned with effect from 31 May 2023

<sup>^^</sup> Ceased to hold the office with effect from 31 May 2023

<sup>\*</sup> Appointed with effect from 1 June 2023

During the financial year ended 31 December 2023, the BRMC met twice during the financial year to review compliance performance in relation to anti-bribery and corruption management, sustainability assessment and stakeholder prioritisation activities performed during the financial year as well as risk management activities during the financial year and results of such activities tabled by the Designated Compliance Officer before its reporting to the Board. During the meeting held during the financial year, the BRMC also reviewed changes to the Whistle Blowing Policy, Anti-Bribery and Corruption Framework, Sustainability Framework and Group Risk Management Framework tabled by the Designated Compliance Officer.

# Corporate Governance Overview Statement

The BRMC's **Terms of Reference** is published in the "Corporate Governance" section of "Investor Relations" of the Company website at [www.ornapaper.com](http://www.ornapaper.com).

Further disclosure on the risk management activities during the financial year can be found in Practices 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, and 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 NC.

During the financial year ended 31 December 2023, 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	Introduction to Organisational GHG Reporting as per GHG Protocol Standard	ITS Management Sdn Bhd
Sai Ah Sai	Introduction to Organisational GHG Reporting as per GHG Protocol Standard	ITS Management Sdn Bhd
Ang Kwee Teng	Introduction to Organisational GHG Reporting as per GHG Protocol Standard	ITS Management Sdn Bhd
Sai Han Siong	Introduction to Organisational GHG Reporting as per GHG Protocol Standard	ITS Management Sdn Bhd
	Forest Stewardship Council (FSC) & Programme for the Endorsement of Forest Certification (PEFC) – Chain of Custody (COC) with Multisite Scheme Requirements Training	Peterson Projects and Solutions (Malaysia) Sdn Bhd
Lim Joo Song	Introduction to Organisational GHG Reporting as per GHG Protocol Standard	ITS Management Sdn Bhd
	Forest Stewardship Council (FSC) & Programme for the Endorsement of Forest Certification (PEFC) – Chain of Custody (COC) with Multisite Scheme Requirements Training	Peterson Projects and Solutions (Malaysia) Sdn Bhd

# Corporate Governance Overview Statement

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Tan Chin Hwee	Continuing Professional Development Webinar: Closure of Companies & Shareholders' Agreement	Institute of Approved Company Secretaries
	Continuing Professional Development Webinar: Transfer and Transmission of Shares	Institute of Approved Company Secretaries
	Continuing Professional Development Webinar: Constitution – Benefits of Adopting One and How to Draft	Institute of Approved Company Secretaries
	Continuing Professional Development Seminar: Capital Maintenance – An In-depth Case Study Session on Shares	Institute of Approved Company Secretaries
	Continuing Professional Development Webinar: Constitution – Procedures and Processes in the Convening of Meetings	Institute of Approved Company Secretaries
	Continuing Professional Development Webinar: Power, Duties & Responsibilities of Directors & Conflict of Interest Situations	Institute of Approved Company Secretaries
Sean Ne Teo	Seminar on “Roles and Responsibilities of Company Secretary as Compliance Officer under AMLA 2001”	Companies Commission of Malaysia
	MIA Webinar Series: Reserved Matters for Shareholders	Malaysian Institute of Accountants
	MIA Webinar Series: Payment to Directors – what’s allowed and what’s disallowed	Malaysian Institute of Accountants
	Mandatory Accreditation Programme	Institute of Corporate Directors Malaysia
	Capital Maintenance – An In-depth Case Study Session on Shares	Institute of Approved Company Secretaries
Lim Kit Ming	2023 Budget Seminar	Malaysian Institute of Accountants
	2024 Budget Seminar	Malaysian Institute of Accountants
	MIA Webinar Series: A Comprehensive Review of Latest Developments in MFRS	Malaysian Institute of Accountants
	Mandatory Accreditation Programme (MAP)	Institute of Corporate Directors Malaysia
	MIA Webinar Series: Introduction to Malaysian Contract Law	Malaysian Institute of Accountants
	MIA Webinar Series: Is Preparing a Capital Statement Mandatory in Malaysia	Malaysian Institute of Accountants
	MIA Webinar Series : ISA 315(R) : New Approach to Risk Assessment in Risk-Based Audits	Malaysian Institute of Accountants
	MIA Forum with Practitioners	Malaysian Institute of Accountants
	MIA Webinar Series: Transfer Pricing Issues facing MNCs and Public Listed companies	Malaysian Institute of Accountants

# Corporate Governance Overview Statement

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- **Sustainability Oversight and Management**

In order to promote the 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 of maintaining effective Corporate Social Responsibility practices continuously to contribute positively to the socio-economic development of the communities, to promote environmentally friendly business practices and to uphold good social practices.

One of the key responsibilities of the Board of the Company is to regularly evaluate economic, environmental, social and governance issues of the Group, and to assume the ultimate responsibilities for and the oversight roles for the Group's sustainability management. The sustainability management of the Group is governed by the **Sustainability Framework** established by the Board. Formal governance structure, stakeholders' engagement and process to identify, assess, formulate and monitor of responses to material sustainability issues are prescribed in such framework with the assessment results and responses fed into the risk management process of the Group for continuous monitoring. As an important communication with stakeholders of the Group, the 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 the changes in the external business environment or the interests of the stakeholders. A periodic review, led by CED and the 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 timely basis sustainability matters, 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 BRMC and the Board during the financial year under review.

Please refer to Practices 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.

## **Principle B – Effective Audit and Risk Management**

The AC is also tasked to oversight the role on the effectiveness of audit and internal controls of the Group. The composition and 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 Practices 9.1 to 9.5 of the CG Report.

- **Relationship with External Auditors**

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

# Corporate Governance Overview Statement

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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 directors and External Auditors, confidentiality, reporting and the proposed fees) reviewed by the AC and its recommendation to the Board.

The AC met with the External Auditors four (4) times during the financial year under review (including two (2) private sessions without the management's presence) to discuss on audit plans, audit findings, financial statements and other special matters that require the AC's attention. The AC also encourages the free flow of information and views between the AC and the External Auditors to allow the External Auditors 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 AC and subsequently reported to the Board. The AC also received a Transparency Report prepared and presented by the External Auditors as part of the performance evaluation. Additionally, through the Audit Plan and Audit Results presented by the External Auditors written confirmation provided during the AC meetings, the External Auditors of the Company confirmed their independence and objectivity for the audit engagement and reaffirmed their independence on the completion of the audit.

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

- **Uphold Integrity in Financial Reporting**

The Board takes responsibility for presenting a balanced, clear and meaningful report on the Group's financial positions and business prospects to its shareholders, investors and regulatory authorities via the 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 AC and recommended to the Board for approval before releasing to the public, via Bursa Securities' website. The AC also reviewed the appropriateness of the Company's and the 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 AC and consultation with the Management and the external auditors, had presented a fair and meaningful assessment of the Group's financial performance and position.

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

- **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 having in place a formal **Group Risk Management Framework**. The details of the **Group Risk Management Framework** as well as risk management process and activities are disclosed in Practices 10.1 and 10.2 of the CG Report and Statement on Risk Management and Internal Control of this Annual Report.

# Corporate Governance Overview Statement

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- **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 AC in reviewing the state of internal control of the Group and to highlight areas for management and operational improvements.

The state of the 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 the 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 statement provides 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 give 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 confirmed 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 performance and financial position of the Group and 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.

## **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 relationship 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](http://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.

# Corporate Governance Overview Statement

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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 for further disclosure on the distribution and content of the Notice of General Meeting.

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

To further promote the participation of members through proxy(ies), the Company's Constitution includes the explicit 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 imposes no restriction on proxy's qualification.

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 a more meaningful response to questions raised by shareholders, all Directors attended the 21st AGM. The external auditors were present at the 21st AGM physically to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.

- **Poll Voting**

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

- **Proceedings during the General Meeting**

The Group conducted its 21st AGM physically. The general meeting allows shareholders to exercise their right to participate, pose questions, and vote at the general meeting.

The main reason that the 21st AGM was held physically instead of via the Remote Participation and Voting ("RPV") facility for remote shareholder participation was that a physical general meeting will promote direct and effective interactions between the Board and the shareholders as compared to RPV facility which is merely a tool to facilitate the general meeting and which posed technology challenge to shareholders who are not technology savvy. On the other hand, the location of the physical general meeting in Melaka, Malaysia can be accessible easily by any transportation mode and it was more cost-effective to conduct a physical general meeting as compared to the RPV facility.

# Corporate Governance Overview Statement

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Please refer to Practice 13.3 of the CG Report for the explanations of departure from the recommended practice on leveraging technology to facilitate remote voting and participation at general meetings.

It is the policy of the Board that all pertinent and relevant questions posed in relation to the agendas of the general meeting will be answered by the Board and sufficient time is to be allocated by the Board to answer such questions raised. In the event that questions posed were not answered by the Board during the general meeting due to time constraints, it is the policy of the Board to have the responses to these questions published on the corporate website as key matters discussed during the general meeting. Kindly refer to Practice 13.4 of the CG Report on the engagement activities between the Board and the shareholders during general meeting held during the financial year under review.

The minutes of the general meeting during such meeting was uploaded to the “Annual General Meeting” section of “Investor Relations” of the Company’s website at [www.ornapaper.com](http://www.ornapaper.com) within 30 business days from the date of the general meeting held. Kindly refer to Practice 13.6 of the CG Report in relation to the practice on the publication of minutes of the meeting and key matters discussed within 30 business days after the conclusion of the general meeting.

## Key Focus Areas and Future Priorities

The key focus areas of the Board during the financial year were to improve governance practices championed and approved by the Board whereby the Chairman of the Board was appointed to lead in the conduct of the Board. During the financial year, in compliance with the amendments to the MMLR in relation to the twelve (12) years tenure limit of INED, INEDs who served the Board for more than twelve (12) years had either ceased to hold office or resigned with their replacements identified and appointed accordingly. In addition, the **Terms of Reference of AC** were updated to include the responsibility to review conflict of interest situations that arose, persist or may arise and the measures taken to resolve, eliminate, or mitigate such conflicts as well as updates of other Board policies and procedures to take into account updates to the MMLR in relation to enhanced conflict of interest measures.

It is the short-term focus of the Board to update the **Board Charter** to include a twelve (12) year tenure limit on INED during the financial year ending 31 December 2024.

In the medium to longer term, the Board is to seek for new Independent Director(s) to be appointed to the Board so that at least half of the Board is made up of INEDs and that independent source is to be used to identify suitably qualified candidates for the next appointment of Non-Executive Director of the Company. It is also the Board’s medium to longer term target to comply with the 30% women representation 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 2023.

# Corporate Governance Overview Statement

- **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 2023.

- **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 2023 are as follow:

	Company	Group	Details on Non-Audit Fees
Audit Fees (RM)	45,000	228,000	Nil
Non-Audit Fees (RM)	10,000	109,000	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 2023 (for which shareholders' mandate was obtained during the 21<sup>st</sup> AGM) are as follows:

Below are RRPT that with shareholders' mandate obtained in the last 21<sup>st</sup> AGM:

Name of Related Parties	Interested Directors and Major Shareholders	Nature of RRPT	Aggregate Value of Transactions (RM)
Perfect Food Manufacturing (M) Sdn. Bhd. ("PFM")	Sai Chin Hock <sup>^</sup>	Sales of corrugated carton boxes by Ornapaper Industry (M) Sdn. Bhd. ("OISB")	0
		Sales of stationery product by Quantum Rhythm Sdn. Bhd. ("QRSB")	0
Julie's Manufacturing Sdn. Bhd. ("JM")	Sai Chin Hock <sup>^</sup> Sai Ah Sai <sup>#</sup> and Sai Han Siong <sup>*</sup>	Sales of corrugated carton boxes by OISB	10,797,388
		Sales of stationery product by QRSB	15,497
STH Wire Industry (M) Sdn. Bhd. ("STH")	Sai Chin Hock <sup>^</sup> and his son, Sai Seak Chyuan, are directors of STH	Sales of corrugated carton boxes by OISB	76,395
		Sales of stationery product by QRSB	994
		Purchase of stitching wire by the Group	372,632

# Corporate Governance Overview Statement

Name of Related Parties	Interested Directors and Major Shareholders	Nature of RRPT	Aggregate Value of Transactions (RM)
Johmewah Maju Paper Mill Sdn. Bhd. ("JMPM")	Sai Swee Seong <sup>@</sup>	Sales of waste paper by Ornapaper Industry (Batu Pahat) Sdn. Bhd. ("OIBPSB")	546,199
		Purchase of paper roll by OISB, OIBPSB and OIPSB	12,032,787
Fairway Review Sdn. Bhd. ("FRSB")	Sai Swee Seong <sup>@</sup> , Sai Han Siong* and Sai Ah Sai <sup>#</sup>	Factory rental incurred by QRSB	640,000
Ps3g Sdn. Bhd. ("PS3G")	Sai Swee Seong <sup>@</sup>	Sales of waste paper by Ornapaper Industry (Batu Pahat) Sdn. Bhd. ("OIBPSB")	95,899
		Purchase of paper roll by OISB, OIBPSB and OIPSB	3,915,819
Uptrend Performer Sdn. Bhd. ("UPSB")	Sai Swee Seong <sup>@</sup>	Maintenance Job provided by UPSB to the Group	644,844

**Notes:**

- <sup>^</sup> Sai Chin Hock is brother of Sai Ah Sai and is a Director and a Major Shareholder of the Company. 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.
- <sup>#</sup> 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 the Company. Sai Ah Sai is also a Director of JM, FRSB and Julie's Corporation Sdn. Bhd., the holding company of JM.
- <sup>\*</sup> Sai Han Siong is the son of Sai Ah Sai, the nephew of Sai Chin Hock and the brother of Sai Swee Seong. Sai Han Siong is a Director and a Major Shareholder of the Company. 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.
- <sup>@</sup> 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, UPSB and PS3G respectively. He is also a substantial shareholder of FRSB, UPSB and PS3G.
- <sup>></sup> 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 2021 and expiring on 30 September 2022 at a monthly rental of RM53,000.00.
- <sup><</sup> 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 22 April 2024.

# Audit Committee Report

## COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee are as follows:-

<b>Name</b>	<b>Designation</b>	<b>Position</b>
Siow Kee Yen <sup>^</sup>	Independent Non-Executive Director	Chairman
Lim Kit Ming <sup>*</sup>	Independent Non-Executive Director	Chairman
Datuk Adillah binti Ahmad Nordin <sup>^^</sup>	Independent Non-Executive Director	Member
Sean Ne Teo <sup>**</sup>	Independent Non-Executive Director	Member
Tan Chin Hwee	Independent Non-Executive Director	Member

<sup>^</sup> Ceased to hold the office with effect from 31 May 2023

<sup>^^</sup> Resigned with effect from 31 May 2023

<sup>\*</sup> Appointed with effect from 1 June 2023

<sup>\*\*</sup> Appointed with effect from 1 June 2023

The composition of the Audit Committee is in compliance with 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 both the previous and existing Audit Committee Chairman, i.e. Mr. Siow Kee Yen and Mr. Lim Kit Ming, are member of the Malaysian Institute of Accountants (“MIA”) which fulfils 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 (“MCCG”) 2021 whereby the committee is comprised solely of Independent Non-Executive Directors.

The Audit Committee Chairman is an Independent Director and 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 the Audit Committee is published on the Company’s website ([www.ornapaper.com](http://www.ornapaper.com)) under the “Corporate Governance” sub-section of the “Investor Relations” section.

## MEETINGS OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2023, 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:-

<b>Name</b>	<b>Number of Audit Committee Meetings Attended</b>
Siow Kee Yen <sup>^</sup>	3/3
Lim Kit Ming <sup>*</sup>	2/2
Datuk Adillah binti Ahmad Nordin <sup>^^</sup>	2/3
Sean Ne Teo <sup>**</sup>	2/2
Tan Chin Hwee	5/5

<sup>^</sup> Ceased to hold the office with effect from 31 May 2023

<sup>^^</sup> Resigned with effect from 31 May 2023

<sup>\*</sup> Appointed with effect from 1 June 2023

<sup>\*\*</sup> Appointed with effect from 1 June 2023

# Audit Committee Report

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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.

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

The Accounts Manager, the representatives from the Management as well as 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. The 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 2023:-

### a) Review the Quarterly Financial Reports

During the scheduled quarterly meetings, the Accounts Manager presented the draft unaudited quarterly financial statements including a statement of financial position, a statement of comprehensive income, a 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 for 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 regard to the Group's performance for the coming quarter and year were also presented to the Audit Committee for discussion. During the same meetings, the financial and non-financial performance of individual subsidiaries was also presented by the Accounts Manager to the Audit Committee for review.

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

### b) Review the External Auditors' Scope of Work and Audit Plan

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 the audit was adequate and reasonable time was allowed for the audit to be carried out effectively and not under undue time pressure.

# Audit Committee Report

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The Audit Plan presented by the external auditors covers the audit approach, areas of audit emphasis, group audit approach, information technology controls reliance, 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 and independence declaration under the By-Laws (On Professional Conduct and Ethics) by the Malaysia Institute of Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standard) for the statutory audit, development in accounting standards for the financial year. The Audit Plan for the financial year was discussed during the meeting and clarifications were sought from the external auditors prior to the approval of the said plan by the Audit Committee.

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 the announcement of the 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, the 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, key audit matters, key audit findings, summary of corrected and uncorrected misstatements, internal control observations, independence declaration per the 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 (including International Independence Standard), proposed audit fees, related party transactions and outstanding confirmation and information.

For the review of the audited statutory financial statements by the Audit Committee, Audit Review Memorandum (Closing Meeting) was reported by external auditors to the Audit Committee which highlights status updates, a summary of unadjusted audit differences, a comparison of announced financial results and audited results and expected opinion on audited financial statements.

Based on the review of audited statutory financial statements by the Audit Committee with the external auditors and the Management, the Audit Committee 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, the audited financial statements of the Company and Group were recommended by the Audit Committee for the Board's approval and adoption.

# Audit Committee Report

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

During the financial year under review, the Audit Committee conducted a performance evaluation and independent assessment of external auditors via the External Auditors Evaluation Form with criteria such as caliber, quality processes and performance, knowledge and skill sets of the audit team, independence and objectivity, audit scope and planning, audit fees and audit communication. In addition, during the meetings with the external auditors, the external auditors confirmed with the Audit Committee their independence in relation to the audit works performed and their commitment to communicate to the Audit Committee their independence status in an ongoing manner. During the financial year, the Audit Committee also obtained confirmation from external auditors that the non-audit services provided by external auditors to the Group during the year in accordance with its independence requirements and that it was not aware of any non-audit services that compromised their independence as external auditors of the Group and the Company. The Audit Committee also received the Transparency Report prepared by the external auditors and their presentation of such report during the financial year under review as part of the performance evaluation by the Audit Committee.

Based on the above performance evaluations, the Audit Committee was satisfied with the performance and independence of the external auditors and recommended to the Board of their re-appointment as auditors of the Company for the financial year ended 31 December 2023.

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

The Audit Committee met twice with the external auditors on 7 April 2023 and 15 November 2023 respectively without the presence of the Executive Directors and Management where they are given the opportunity to raise any concern or professional opinion and thus, they are able to exert their functions independently.

During the private sessions, the external auditors informed the Audit Committee that there was no significant 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 from the outsourced internal audit function that contain the findings, priority rating, risks/implications, root causes, recommendations and agreed on management action plans for the internal audits performed based on the approved internal audit plan. Aside from reporting on the audit findings, the statuses 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. In addition, the outsourced internal audit function reported to the Audit Committee, through a progress update report, the resources, experience, competency and continuous professional development of the outsourced internal audit function for its review on adequacy.

During the financial year, the renewal of the engagement and the proposed fees of the outsourced internal audit function were reviewed by the Audit Committee prior to its approval.

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.

# Audit Committee Report

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## **g) Conduct of Performance Evaluation on Outsourced Internal Audit Function**

During the financial year under review, the Audit Committee conducted a performance evaluation on the outsourced internal audit function via the Internal Audit Function Evaluation Checklist with evaluation criteria such as, experience, competency, resources and audit approach.

Based on the evaluation performed, the Audit Committee was satisfied with the performance of the outsourced internal audit function.

## **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 the date of shareholders’ mandate to the end of the 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 has exceeded 10% of the mandated amount.

Aside from the updates on RRPT where shareholders’ mandate was obtained, the Audit Committee was also informed by the Management on the recurrent related party transaction where shareholders’ mandate was not obtained for its review and for the Audit Committee to ensure compliance with MMLR in relation to such RRPT.

## **i) Review the Latest Changes and Developments in 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.

## **j) Review the Draft Circular to Shareholders on the Proposed Renewal of Existing Shareholders’ Mandate for RRPTs of a Revenue or Trading Nature, Proposed New 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 and proposed new 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.

# Audit Committee Report

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## k) Review of Statement and Reports Disclosed in the Annual Report

The Audit Committee had reviewed the notice of annual general meeting, corporate information, directors' and key management's profile, management discussion and analysis, Corporate Governance Overview Statement, Audit Committee Report, Statement on Risk Management and Internal Control, additional compliance information and directors' responsibility statement per MMLR as well as the audited financial statements of the Company to ensure compliance with applicable laws, regulations, standards, MMLR, MCCG and other guidelines and forthwith recommended to the Board for approval and publication in the Company's Annual Report.

## l) 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 were made available to all board members for review and to seek clarification and confirmation from Audit Committee Chairman if required.
- Changes to the Whistle Blowing Policy and Anti-Bribery and Corruption Framework were tabled to the Audit Committee during the financial year for its review and recommendation to the Board for approval.
- The Audit Committee reviewed the proposed changes to its Terms and Reference arising from the updates of MMLR in relation to enhanced conflict-of-interest measures during the financial year and reported the same to the Board for its 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.

The audit engagement of the outsourced internal audit function is governed by the engagement letter and Internal Audit Charter approved by the Audit Committee 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

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The scope of review by the outsourced internal audit function is determined by the internal audit plan, reviewed 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 during the financial year under review. The performance, independence and objectivity of the internal audit function is formally evaluated by the Audit Committee through the Evaluation of the Internal Audit Function Form.

To preserve 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 the progress of action plan implementation), authorise 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 specialised 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

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## 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 the requirement to prepare a 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"), 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 risk management and internal control system 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 sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness 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 the 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 control system) whereby BRMC and AC are assigned with the duty, vide Group Risk Management Framework and Terms of Reference approved by the Board, to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control system 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 control 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 control, the system of internal control is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

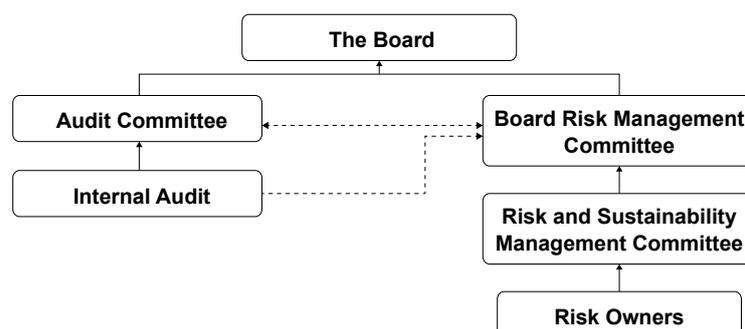
## RISK MANAGEMENT

The Board maintains an ongoing commitment to identifying, evaluating and managing significant risks faced by the Group during the financial year under review. As the Second Line role, the Board has put in place a structured Group Risk Management Framework that is integrated, as the governance structure and processes for risk management on enterprise wide, in order to embed the risk management practice into all levels 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 the Chief Executive Director ("CED") with the 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 a material respect, guided by the ISO 31000:2018 – Risk Management- Principles and Guidelines

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



Clear roles and responsibilities of the Board, the BRMC, the AC, the RSMC, Risk Owners, the Key Risk & Sustainability Officer (“KRSO”) and the 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 exclusively of Independent Non-Executive Directors and their roles and responsibilities are as follows:

- (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 the 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 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 the 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.

# Statement on Risk Management and Internal Control

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The RSMC members are nominated employees from various divisions in the Group (i.e. Executive Directors and Head of Departments) and it is chaired by CED with the Executive Director as the KRSO. The roles and responsibilities of RSMC are as follows:

- (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-existent and communicate methodology to the Risk Owners;
- (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 a periodical basis (at least on an annual basis) or when appropriate (due to significant changes 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, are designated as Risk Owners within their area of expertise and delegated with the following responsibilities:

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

# Statement on Risk Management and Internal Control

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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 assessments, at gross and residual levels, 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 the Group Risk Management Framework, Key Risk Registers are compiled by the KRISO and Risk Owners, with relevant key risks identified and 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 the strategic and operational level are subjected to review on an annual basis or on a more frequent basis if circumstances require and to report to the BRMC on the results of the review and assessment.

In addition, in line with ISO 9001:2015 and ISO 14001:2015 certification for its key subsidiaries, the Group has adopted a risk-based quality management system and environmental management system. The risk and opportunity management processes, consistent with the 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 the 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).

During the financial year under review, changes to the composition of RSMC were tabled to BRMC for review and report to the Board for approval. In addition, RSMC had conducted an assessment exercise whereby existing strategic, governance, financial, operational, quality and environmental, fraud and bribery risks of key operating subsidiaries identified were assessed and treated based on the Group Risk Management Framework. Such risks identified and assessed were documented in respective Key Risk Registers maintained at the subsidiary level for on-going risks and opportunities monitoring and assessment.

Key Risk Registers consist of strategic, governance, financial, operational, quality and environmental, fraud and bribery risks and the likelihood and impact rating used were compiled by RSMC and tabled to BRMC during the financial year under review 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 the 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 role. Respective Heads of Department (i.e. Risk Owners) are responsible for managing the financial, operational, quality and environmental, fraud and bribery risks under their responsibilities by way of maintaining effective internal controls and having measures to manage such risks on a day-to-day basis. Critical or material risks highlighted by the Risk Owners are reported to BRMC, 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.

# Statement on Risk Management and Internal Control

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At the 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 appetite. In addition, specific strategic and key operational risks are highlighted and deliberated by AC and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

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 cycle based on the internal audit plan approved by AC and audits performed by in-house independent personnel on compliance with a quality management system based on audit plan approved by CED.

The above process has been practised 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 as follows:

- **Board of Directors and Board Committees**

The role, functions, composition, operations and processes of the Board are guided by a 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 a scheduled basis to review the performance of the Group, from a financial and operational perspective while meetings for the Remuneration Committee, Nomination Committee and Board Risk Management committee are carried out at least once yearly or whenever deemed necessary. Potential business strategies and business plans 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 are established to ensure operational efficiency, accountability and effectiveness with the Board assuming the oversight roles. Suitably qualified employees are employed so that the appropriate level of authority and responsibilities can be delegated while accountability of performance and controls are assigned accordingly.

# Statement on Risk Management and Internal Control

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- **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 the relevant knowledge and skills required to perform their duties and responsibilities diligently and effectively.

Comprehensive guidelines on human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees who possess the necessary knowledge, skill and experience (which are enhanced by continuous trainings thereafter) to carry out their duties and responsibilities effectively and efficiently.

- **Integrity and Ethical Value**

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

Integrity and ethical values expected from the employees are incorporated in the Employees Handbook whereby ethical behaviours expected from customers, suppliers, employees, society and the environment are stated. The 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 has been put in place by the Management to prevent the risk of bribery and conflict of interest within the Group with a 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 bodies within the Group, which is available for download from the "Corporate Governance" section under "Investor Relations" of the Company's website for ease of access.

In addition, a Grievance System is put in place for the reporting of grievances faced by the employee and the process of handling grievances received.

Compliance with the Code of Conduct and Anti-Bribery and Corruption Framework is monitored via a control activity monitoring mechanism implemented (including but not limited to, Whistle-Blowing policy and Grievance System) with non-compliances are timely detected and investigated with appropriate corrective action, including but not limited to disciplinary actions, taken to rectify non-compliance.

- **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 the authority matrix.

# Statement on Risk Management and Internal Control

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- **Risk Assessment and Control Activities**

Risk assessment is performed by Risk Owners annually or when there is a change in internal and/or business context in accordance with the Group Risk Management Framework. Internal controls, as risk responses, are formulated and put in place to mitigate risks identified to a level acceptable by the Board.

Policies and standard operating procedures are regularly reviewed and updated to ensure it is relevant to support the Group's business activities in achieving the Group's business objectives.

- **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.

- **Monitoring and Review**

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 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 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) meetings 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.

In addition to the internal audits, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by surveillance audit by independent consultants engaged by the Group serve as the Fourth-Line role.

# Statement on Risk Management and Internal Control

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## 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 compliance with the Standards of the 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 including 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, which was established and approved by the Board. 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 fieldwork of the internal audit by the outsourced internal audit function were one (1) assistant manager and assisted by at least one (1) senior consultant and one (1) consultant per engagement with oversight performed by the director.

To preserve 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 the 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 the 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 the 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, and the results of the internal audit and/or investigation undertaken (if any).

# Statement on Risk Management and Internal Control

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Risk-based internal audit plan in respect of the financial year ended and 31 December 2023 was 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 regard to the audit objective, key risks to be assessed and scope of the internal control review.

As the Third Line role, 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 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 the 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.

During the financial year ended 31 December 2023, in accordance with the internal audit plan (and any amendments thereof) approved by AC, the outsourced internal audit function has conducted an internal control review of procurement and fixed assets management as well as inventory management of two (2) of its key operating subsidiaries in Malaysia.

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 the 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 samples 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 9001 and 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. In relation to compliance with the Anti-Bribery and Corruption Framework, internal audits were performed by in-house independent personnel with such internal audit activities reported to the BRMC during the financial year under review.

The cost incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2023 amounted to RM 43,295.

# Statement on Risk Management and Internal Control

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## **ASSURANCE PROVIDED BY THE CHIEF EXECUTIVE DIRECTOR AND THE 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.

## **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 to 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 to be set out, nor factually incorrect.

# Sustainability Statement

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## Introduction

The Board of Directors (“the Board”) of Ornapaper Berhad (“Ornapaper”) recognises the paramount importance of continually developing and enhancing business operations in a sustainable and responsible manner. We firmly believe in creating sustainable value across our businesses’ value chains by refining core business principles and operations. This commitment to sustainable value chains creation not only propels the long-term growth of Ornapaper Berhad and its subsidiaries (“Ornapaper Group”) but also fosters mutually beneficial relationships with our stakeholders.

Amidst dynamic shifts in business and operational landscapes, operating sustainably remains a cornerstone of our business strategy. We place significant emphasis on meeting customer expectations while minimising environmental impact and contributing to a better quality of life for current and future generations. The Board is dedicated to embracing and enhancing sustainable business practices aligned with the Sustainable Development Goals (“SDGs”) set forth by the United Nations to promote prosperity while safeguarding the environment.

Moreover, the Board is resolute in promoting good sustainability practices, updating sustainability progress, and engaging openly and responsively with our stakeholders through transparent sustainability reporting that captures the economic, environmental and social aspects of its business operations. The Board recognises that stakeholder engagement plays an important part in ensuring the businesses pursued by Ornapaper Group are sustainable in the long term.

Through this Sustainability Statement, the Board provides the stakeholders with a better insight into its approach to creating sustainable long-term value for stakeholders as well as the progress in meeting these commitments. Ornapaper Group is committed to conducting businesses and operations in an equitable and accountable manner across the value chain, striving for results that endure for future generations. We remain steadfast in our dedication to creating value by adapting and evolving alongside market, industry, and national developments. We acknowledge the dual responsibility of maximising economic value while also creating social value as global citizens.

Apart from strengthening the financial performances of the businesses Ornapaper Group is operating in, the Board also recognises that upholding high standards of business conduct across governance, economic, environmental, and social dimensions is paramount for enduring success and value creation for stakeholders in a competitive, challenging, and evolving business environment. It is, therefore, the underlying value of Ornapaper 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.

Major global crises, such as the ongoing trade tensions between major economic powers, energy crisis and inflationary pressure have caused significant disruption affecting almost all sectors of economies across the globe and further exacerbated the interrelated challenges relating to poverty, inequality, carbon emissions, education, health, economic growth and finance. Despite facing a multitude of global challenges, we remain committed to pragmatic principles and sustainable practices. Our long-term sustainability strategy integrates economic, governance, environmental, and social considerations, enabling us to navigate through challenging times while upholding high standards of governance, promoting responsible business practices, managing environmental impacts, ensuring a safe and healthy workplace, and meeting the social needs of our community.

# Sustainability Statement

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The Board of Ornapaper Group is pleased to present the Sustainability Statement for the financial year ended 31 December 2023. The Sustainability Statement underscores our commitment towards sustainability by addressing key sustainability matters relevant to the Group's nature and business operations, with the ultimate aim of creating more value for our businesses, society and stakeholders. The Sustainability Statement is prepared pursuant to paragraphs 6.1, 6.2, 6.3 and 6.5 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 the Sustainability Reporting Guide issued by Bursa Securities ("the Guide") on the content of the Sustainability Statement.

Nevertheless, Ornapaper Group remains dedicated to striving for excellence in sustainability and being a responsible corporate citizen. In an era where global issues such as social capitalism, climate change, ocean conservation, water scarcity, food insecurity, poverty, and public health continue to escalate, we are committed to integrating sustainability practices into our working environment, culture, and business processes. By continuously embracing and integrating such practices, we aim to develop sustainable businesses that positively impact the economy, environment, and greater community. Thus, Ornapaper Group is committed to being accountable and transparent in sustainability performance.

## Scope of the Statement

The contents of this Sustainability Statement primarily encompass activities conducted during the financial year ended 31 December 2023 and up to the date of this Statement, focusing on the economic, environmental, and social management and performance of the Group. In accordance with sustainability requirements, the Statement delineates stakeholder engagement, materiality assessment, sustainability achievements, and information on significant economic, environmental, and social impacts for assessing the Group's management and performance.

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

Ornapaper Group's activities predominantly involve the manufacturing of paper-based packaging and stationery products, alongside providing logistics services in Malaysia. The core operating segment, namely the paper packaging business, entails manufacturing and sales of corrugated boards and carton boxes, which contributed approximately 93% of Ornapaper Group's total revenue. Meanwhile, the secondary business operating segment of Ornapaper Group involves the manufacturing of paper-based stationery products, contributing approximately 6% of Ornapaper Group's total revenue.

As of the date of this Statement, the information disclosed in this Statement entails the identification, management, and reporting of sustainability matters and performances of six (6) primary subsidiaries of Ornapaper Group, which drive the revenue generation in both the manufacturing of paper packaging and paper-based stationery products with the proportion of revenue contribution as mentioned above.

These six (6) primary subsidiaries include 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"), Tripack Packaging (M) Sdn. Bhd. ("Tripack") and Quantum Rhythm Sdn. Bhd. ("Quantum") (collectively referred to as "the Companies" or "the Group", individually referred to as "the Company").

# Sustainability Statement

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## Statement of Assurance

This Sustainability Statement has not been subjected to an assurance process.

## Sustainability Principles

The Board, as the highest governance body within Ornapaper Group, holds ultimate accountability for integrating sustainability into the Group, including sustainability-related strategy and performance. Ornapaper Group is firmly dedicated to promoting sustainability, continually integrating it into its working environment, business processes and strategy-making processes. Ornapaper Group upholds its commitment to meeting various stakeholders' interests while achieving its strategic objectives, ensuring 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 practices, and code of practice applicable to Ornapaper Group;
- To consider sustainability matters and integrate these considerations into Ornapaper Group's business operations and when making and implementing business strategies;
- To manage sustainability matters in a structured and systematic manner, whereby sustainability matters are embedded throughout Ornapaper Group and to be documented, continuously assessed and managed with reporting to the Board on scheduled intervals 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 Ornapaper 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 Ornapaper Group's sustainability performance over time.

## Sustainability Policy

The Sustainability Principles of Ornapaper Group reflect a steadfast commitment to the 2030 Agenda for Sustainable Development established by the United Nations. Guided by the 17 Sustainable Development Goals ("SDGs") established by the United Nations, Ornapaper's Sustainability Policy addresses a spectrum of social and economic issues, including poverty alleviation, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment, and social justice.

The 17 SDGs are integrated, recognising that actions in one area impact outcomes in others, and underscore the necessity of balancing social, economic, and environmental sustainability. They serve as a global imperative for all nations to strive towards comprehensive sustainability by 2030, aiming to eradicate poverty, improve health and education, reduce inequality and injustice, and tackle climate change and environmental degradation.

# Sustainability Statement

While global crises, such as the ongoing Russia–Ukraine conflict, present challenges to achieving the SDGs, Ornapaper remains resolute in its dedication to fostering accountable and sustainable business practices. The Group upholds high standards of governance across the business operations, emphasizing a balance between managing the financial performance and contributing to social and environmental responsibility.



Formalising its commitment, the Board has established a formal Sustainability Policy, which strengthens Ornapaper Group’s pledge to achieve an equilibrium between industry leadership and meeting the stakeholders’ commercial expectations. The said Sustainability Policy entails:

- Compliance with high ethical standards of suppliers;
- Compliance with 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 ensuring 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 and development in achieving product innovation and enhancing product quality;
- Continuous selection of potential suppliers at significant locations of operations to optimise cost and sales value;
- Customer profile diversification to ensure the economic interest of all relevant stakeholders are preserved and prevent from loss of key customers; and
- Compliance with better practices under the Malaysian Code of Corporate Governance 2021 (“MCCG”).

# Sustainability Statement

## Governance Structure and Process

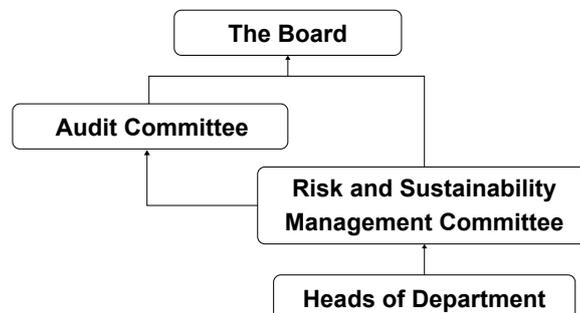
Good governance plays a vital role for Ornapaper Group to operate in an accountable and sustainable manner. The Board acknowledges its overarching responsibility for integrating recommended sustainable economic, environmental, and social practices throughout the organisation. This includes developing business strategies with sustainability considerations and monitoring sustainability performance to ensure continual progress. 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 adaptations made based on the nature and scale of the businesses of the Group.

Ornapaper Group's dedication to sustainable business practices permeates every level of its organisation. At the leadership level, the Board, Executive Directors and Management recognise the significance of comprehending and implementing sustainable economic, environmental, and social practices at all organisational levels.

To reinforce this commitment, the Board has established a formal structure to ensure accountability, oversight, and review with respect to the identification, management and reporting of sustainability matters and performance. Such a formal structure is important to ensure that the execution of the sustainability initiatives at all levels of organisation and business units are aligned with the Board's sustainability and business strategies. Reporting mechanisms are established at predetermined intervals to enable timely responses to applicable sustainability risks and opportunities.

The Risk and Sustainability Management Committee is delegated with responsibilities for identifying, managing, and reporting on sustainability matters and performance. This Committee plays a pivotal role in driving sustainability initiatives and ensuring alignment with Ornapaper Group's overarching goals and strategies.

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



The governance structure delineates clear roles and responsibilities for the Board, the Audit Committee, the Risk and Sustainability Management Committee, Heads of Department, and the Key Risk and Sustainability Officer. Essentially, the Board assumes ultimate responsibility for sustainability management and performance across Ornapaper Group, while the Audit Committee oversees sustainability management and performance for reporting to the Board.

# Sustainability Statement

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The Risk and Sustainability Management Committee, chaired by the Chief Executive Director and Executive Director of Ornapaper Berhad, is entrusted 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 plans in cases where sustainability issues are not adequately or effectively addressed and communicate proposed action plans to the Heads of Departments;
- c. To conduct a 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 a periodical basis (at least on an annual basis) respectively or when appropriate (due to changes in the external environment or internally) and the course of action to be taken by management in managing the changes; and
- h. To ensure relevant sustainability training is provided for the appropriate level of employees to cultivate a positive attitude and promote the correct approach toward sustainability management.

As for the Heads of Department, their primary responsibilities are to manage sustainability matters within their respective business processes 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;
- The stakeholders identified for each significant business segment and geographical segment are prioritised in relation to their 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 the Stakeholder Prioritisation Matrix, whereby each stakeholder identified is 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 collaborating/empowering to keeping informed) based on the perceived influence and dependency of each stakeholder group;

# Sustainability Statement

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- Identification of sustainability matters for each significant business segment and geographical segment via internal sources (through internal documentation as well as an information system and internal stakeholders' communication via engagement medium and direct communication) and from external sources (through internal documentation, 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 are 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 matter on the revenue, cost, reputation, strategic and operational risk and business opportunities criteria.

From internal and external stakeholders' perspectives, stakeholders' assessment of sustainability matters is based on the significance of such matters to influence the assessment and decision by respective stakeholders. The stakeholders' assessment of the sustainability matters is obtained during stakeholders' engagement, either through direct communication by the 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.

In the context of 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 the 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.

# Sustainability Statement

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- For the management of material sustainability matters, the Risk and Sustainability Management Committee is to develop a position and response with respect to each material sustainability matter 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 is 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 a yearly basis for review and for their recommendation to the Board for review and approval.

## Stakeholder Engagement

The Board recognises and acknowledges the pivotal role of internal and external stakeholders in realising the Group's missions and ensuring long-term business sustainability and excellence. Therefore, a stakeholder-driven approach to sustainability forms the cornerstone of our sustainability strategy and reporting. Maintaining robust communication, understanding, and relationships with stakeholders through various platforms, and continuous dialogue sharing of information with stakeholders is essential for the success and sustained growth of our businesses.

The Group places high value on its employees, customers, and other stakeholders, recognising that understanding their interests and needs is fundamental to fostering lasting and mutually beneficial relationships that enhance 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 are dependent on and/or influenced by the activities undertaken by the Group, and to ensure that such engagements 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, validating sustainable matters identified by the Management of the Group.

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 informal channels, such as meetings and face-to-face communication, facilitated by Heads of Department and Executive Directors, supplemented by formal communication channels of communication, such as employees' performance appraisals, to engage with the stakeholders.

# Sustainability Statement

The Board acknowledges that the stakeholder engagement engaged by the Risk and Sustainability Management Committee can be further enhanced by employing a preferred level of engagement per stakeholders' profile at the preferred frequency as determined by the Board. This ensures timely and reliable communication of key topics and concerns of respective stakeholder groups to the appropriate governance bodies of the Group for effective response. The Group's stakeholder engagement process is guided by the Guide and Toolkit: Stakeholder Engagement issued by Bursa Securities, with necessary adaptation based on the nature and scale of the businesses of the Group.

Following the sustainability assessment performed, the Board has 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 the Group:

STAKEHOLDER GROUP	ENGAGEMENT OBJECTIVE(S)	PREFERRED ENGAGEMENT METHOD(S)	FREQUENCY OF ENGAGEMENT
<b>Employees</b>	<ul style="list-style-type: none"> <li>▸ To ensure fair engagement of salary</li> <li>▸ To establish career pathways for the workforce at all levels</li> <li>▸ To have a safe and healthy working environment</li> <li>▸ To strike for work life balance</li> </ul>	<ul style="list-style-type: none"> <li>▸ Performance appraisal</li> <li>▸ Employee's self-evaluation</li> <li>▸ Memorandum</li> <li>▸ Electronic mail system</li> <li>▸ Meetings</li> <li>▸ Employees' dialogue</li> </ul>	<ul style="list-style-type: none"> <li>▸ Annually</li> <li>▸ Ongoing</li> </ul>
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>▸ To ensure business strategy takes into consideration of sustainable practices</li> <li>▸ To convey accurate financial and non-financial information for decision making</li> <li>▸ To comply with good corporate governance</li> <li>▸ To ensure cyber security and continuous safety of organisation data and assets (including suppliers and customers)</li> </ul>	<ul style="list-style-type: none"> <li>▸ Committee meetings</li> <li>▸ Board of Directors meeting</li> </ul>	<ul style="list-style-type: none"> <li>▸ Annually</li> <li>▸ Quarterly</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>▸ To ensure the sustainability of human resources in pursuit of the company's goals</li> </ul>	<ul style="list-style-type: none"> <li>▸ Meetings</li> <li>▸ Memorandum</li> <li>▸ Electronic mail system</li> </ul>	<ul style="list-style-type: none"> <li>▸ Annually</li> <li>▸ Quarterly</li> <li>▸ Monthly</li> <li>▸ Ongoing</li> </ul>

# Sustainability Statement

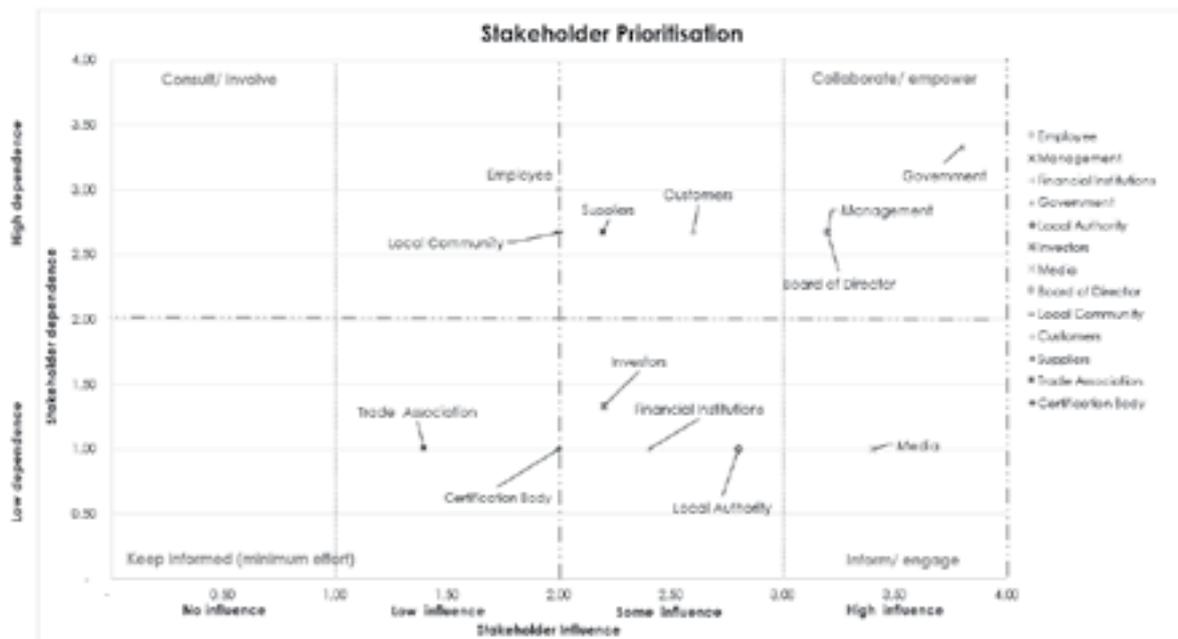
STAKEHOLDER GROUP	ENGAGEMENT OBJECTIVE(S)	PREFERRED ENGAGEMENT METHOD(S)	FREQUENCY OF ENGAGEMENT
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>▸ To demonstrate financial sustainability</li> <li>▸ To understand and comply with laws</li> </ul>	<ul style="list-style-type: none"> <li>▸ Annual report</li> <li>▸ Public announcements</li> <li>▸ Meetings</li> </ul>	<ul style="list-style-type: none"> <li>▸ Annually</li> <li>▸ Ongoing</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>▸ To ensure full compliance with all relevant laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>▸ Official submission</li> <li>▸ Official letter</li> <li>▸ Public dialogue involving government officials</li> <li>▸ Public announcements</li> <li>▸ Telephone conversation</li> <li>▸ Face-to-face meetings</li> <li>▸ Electronic mail system</li> <li>▸ Periodical audit</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>
<b>Local Authority</b>	<ul style="list-style-type: none"> <li>▸ To ensure full compliance with relevant laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>▸ Official submission</li> <li>▸ Official letter</li> <li>▸ Public dialogue</li> <li>▸ Public announcements</li> <li>▸ Telephone conversation</li> <li>▸ Face-to-face meetings</li> <li>▸ Electronic mail system</li> <li>▸ Periodical audit</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>▸ To improve customer satisfaction</li> <li>▸ To meet potential customer's requirements</li> <li>▸ To ensure sufficient and healthy manpower support</li> <li>▸ To sustain good product quality even during COVID-19 endemic</li> </ul>	<ul style="list-style-type: none"> <li>▸ Face-to-face meetings</li> <li>▸ Electronic mail system</li> <li>▸ Telephone conversation</li> <li>▸ Customer audits</li> <li>▸ Letter of complaint</li> <li>▸ Official letter</li> <li>▸ SCAR</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>▸ To demonstrate financial sustainability</li> </ul>	<ul style="list-style-type: none"> <li>▸ Annual report</li> <li>▸ Annual general meeting</li> <li>▸ Shareholder communication</li> <li>▸ Press releases and public announcements</li> </ul>	<ul style="list-style-type: none"> <li>▸ Annually</li> <li>▸ Quarterly</li> <li>▸ Ongoing</li> </ul>
<b>Certification Body</b>	<ul style="list-style-type: none"> <li>▸ To ensure compliance with ISO 9001: 2015 and 14001: 2015 standard</li> </ul>	<ul style="list-style-type: none"> <li>▸ Audit</li> <li>▸ Electronic mail system</li> <li>▸ Telephone conversation</li> <li>▸ Reports</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>

# Sustainability Statement

STAKEHOLDER GROUP	ENGAGEMENT OBJECTIVE(S)	PREFERRED ENGAGEMENT METHOD(S)	FREQUENCY OF ENGAGEMENT
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>▸ To ensure all materials are RoHS compliance/ environmentally friendly</li> <li>▸ To strive for reasonable price materials and services at an acceptable quality, consistent and on-time delivery</li> <li>▸ To ensure safety and health during the loading and unloading process and delivery journey</li> <li>▸ To ensure product quality and safety as well as services</li> <li>▸ To ensure no disruption in the supply of materials</li> </ul>	<ul style="list-style-type: none"> <li>▸ Supplier's evaluation and appraisal</li> <li>▸ Meetings</li> <li>▸ Conflict of Interest Policy</li> <li>▸ Code of Conduct</li> <li>▸ Electronic mail system</li> <li>▸ Telephone conversation</li> <li>▸ Official letter/ memorandum</li> <li>▸ Supplier audit</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>
<b>Local community</b>	<ul style="list-style-type: none"> <li>▸ To ensure pollution and social ills free community</li> </ul>	<ul style="list-style-type: none"> <li>▸ Corporate social responsibility programme</li> <li>▸ Face-to-face meetings</li> <li>▸ Press release</li> <li>▸ Official letters</li> <li>▸ Electronic mail system</li> <li>▸ Telephone conversation</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>▸ To minimise negative reporting and protect the company image</li> <li>▸ To ensure reporting accuracy</li> </ul>	<ul style="list-style-type: none"> <li>▸ Press release</li> <li>▸ Telephone conversation</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>
<b>Trade Association</b>	<ul style="list-style-type: none"> <li>▸ To seek for protection of employer's interests and opportunities in business trade</li> <li>▸ Sharing of industrial update</li> </ul>	<ul style="list-style-type: none"> <li>▸ Meetings</li> <li>▸ Forums</li> </ul>	<ul style="list-style-type: none"> <li>▸ Ongoing</li> </ul>

After the stakeholder group's identification with the respective engagement methods proposed, a stakeholders' prioritisation exercise was conducted for the Group to rank respective stakeholder groups' influence over and/or dependence on the Group based on influence over and dependence rating criteria and scale approved by the Board. The results of the stakeholders' prioritisation exercise for the Group are tabulated in the following Stakeholder Prioritisation Matrix with the recommended level of engagement for respective quadrants.

# Sustainability Statement



## Sustainability Management Activity

The Group 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 the Group through Stakeholder Mapping and with individual Stakeholder Profiles 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 their degree of influence over and dependence on the Group 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 scales 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”).
- The degree of significance of the sustainable matters to influence the assessment and decision by internal and external stakeholders was 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.

# Sustainability Statement

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- The results of the Stakeholder Prioritisation exercise, internal materiality assessment and degree of significance of the sustainable matters to influence 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 material if it is above the material threshold established by the Board.

## Material Sustainability Matters

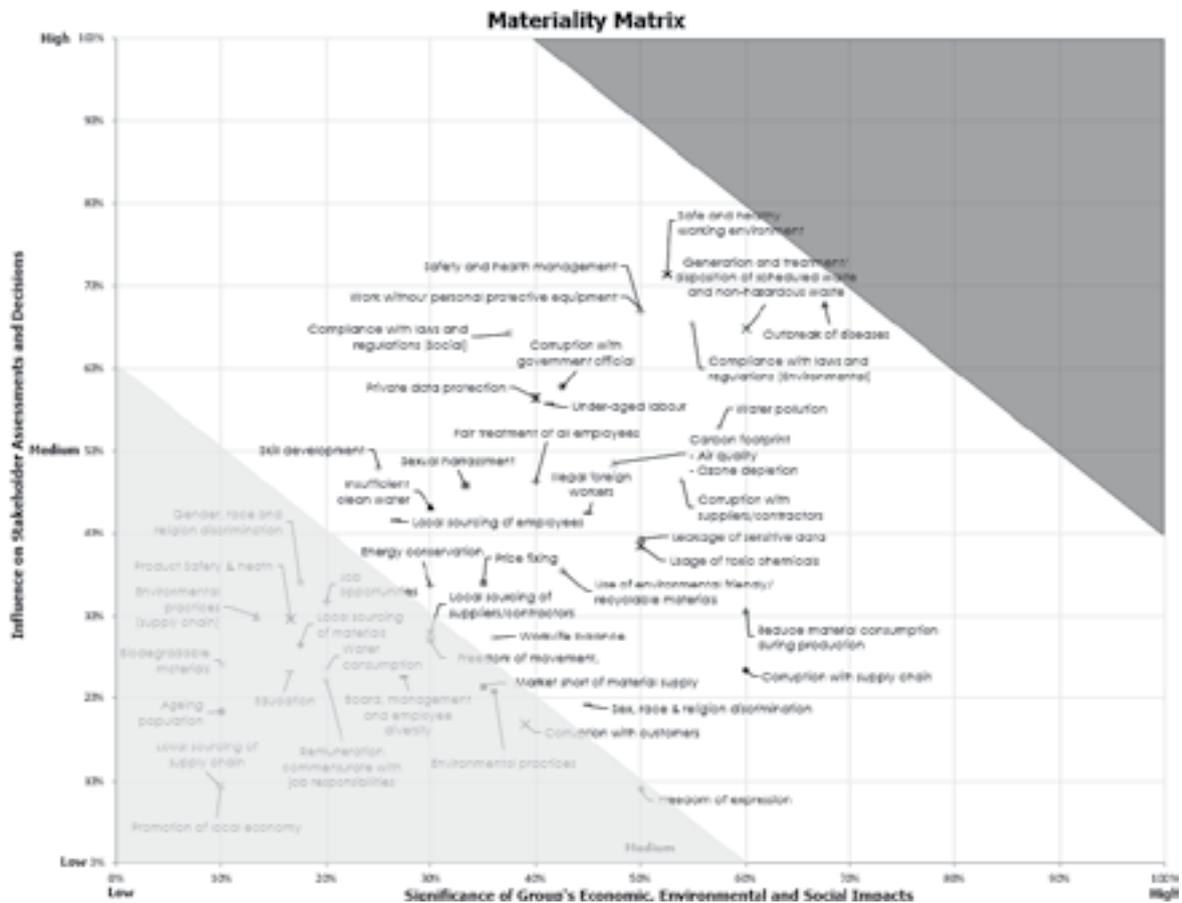
The Group places strong emphasis on delivering value to shareholders, adhering to good governance practices, maximising contributions to stakeholders and minimising environmental footprint. The Group's material sustainability matters were identified through a rigorous materiality assessment process, whereby the Economic, Environmental and Social ("EES") matters relevant and important to the Group's long-term sustainability were identified and prioritised through a 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 through the sustainability matters assessment and prioritisation exercises of the Group undertaken by the Risk and Sustainability Management Committee. These exercises reflect critical sustainable considerations pertinent to each entity's business and geographical context, highlighting the expectations and concerns of stakeholder groups. The sustainability matters are rated as "Material", "Low and Medium" or "Not Material", through the material matrix, based on their significance from both Management's perspective on impact as well as significant stakeholders' perspectives on its influence over the respective stakeholders' assessments and decisions.

Following the assessment, the final list of sustainability matters, along with details of identification and assessment, undergoes review by the Audit Committee before being presented to the Board for approval. This comprehensive review process ensures effective sustainability management and monitoring across the Group. The consolidated assessment results of material sustainability matters of the Group are tabulated in the following Materiality Matrix.

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# Sustainability Statement



Based on the Materiality Matrix, several key material matters are identified and prioritised by the Management of the Group as well as the stakeholder groups, details as shown in the table below:

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# Sustainability Statement

Sustainability Matter	Definition	Aspect Boundary		Relevant SDG Goals	Corresponding Risk Register
		Internal Stakeholders	External Stakeholders		
Occupational Safety and Health (Social) <ul style="list-style-type: none"> <li>Safe and Healthy Working Environment</li> <li>Safety and Health Management</li> <li>Outbreak of Diseases</li> </ul>	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	Management, Employees, Board of Directors	Government, Customers, Department Of Safety and Health, Certification Body	 	Compliance with Occupational Safety & Health Act
Compliance with Laws and Regulations (Environmental)	Compliance identifies the adherence of an organisation's activities to relevant laws and guidelines	Board of Directors, Investors, Management, Employees	Media, Financial Institutions, Government, Local Community, Suppliers, Customers, Certification Body, Supply Chain	 	Compliance with the Environmental Quality Act
Generation and Treatment/ Disposition of Scheduled Waste and Non-Hazardous Waste (Waste and Effluent-Environmental)	Waste and effluent discharged from operations into public areas	Board of Directors, Investors, Management, Employee	Media, Suppliers, Local Community, Government, Certification Body, Customers	   	Compliance with the Environmental Quality Act

## Occupational Safety and Health (Social) - Safe and Healthy Working Environment and Management, Outbreak of Diseases

Ensuring the safety and well-being of our employees and stakeholders remains a cornerstone of our sustainability efforts. We recognise the intrinsic value of a secure workplace, extending beyond our workforce to encompass our broader stakeholder community, including customers, suppliers, and contractors. As such, our commitment to providing a productive, dynamic, and safe environment is unwavering. We prioritise occupational safety and health management, striving to create a safe and healthy working environment for all stakeholders by minimising the risk of accidents, injuries, and exposure to health hazards, to the extent practicable.

Recognising the importance of providing a secure workplace to our stakeholders, we uphold strict compliance with relevant safety and health laws and regulations, 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

# Sustainability Statement

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- 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)

Central to our safety and health management is the Safety and Health Committee, comprising representatives from both the Management and employees of respective subsidiaries of the Group, which oversees the establishment and enforcement of safety protocols across our subsidiaries. The safety and health management at the 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 too 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.

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 occurring, the Safety and Health Committee shall oversee the due observance of safety and health rules and regulations established and practised at the workplace and to promote safe and healthy conducts and environment at the workplace. The Group strives to work towards its goals of achieving “A Zero Accident” workforce, meanwhile, creating “A Good, Safe and Pleasant” environment for the employees and relevant stakeholders in order to prevent unnecessary accidents and injuries at the workplace.

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-compliance with 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 environments are performed by the Safety and Health Committee with planned controls formulated to eliminate hazards or control risks at regular intervals.

Furthermore, scheduled meetings of the Safety and Health Committee are held at a predetermined interval in accordance with the required safety and health-related rules and regulations. Such scheduled meetings are conducted to promote 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 accidents or incidents and immediately investigate near-miss accidents or incidents, dangerous occurrences, 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 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 the workplace. Workplace safety procedures and instructions for operating forklifts and various types of machines on the production floor are established to guide the employees in operating the forklift, production machines and equipment in a safe and sound manner.

# Sustainability Statement

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Our commitment to safety extends beyond compliance, encompassing proactive measures to mitigate potential risks. As noise is inevitable in some of the Company's production processes, we have implemented measures to mitigate the impact on 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 constructed with noise reducing specifications.

Employee noise exposure is also mitigated by using personal protective equipment, such as hearing protection, especially in sections with higher noise exposure. Audiometry tests for machine operators are carried out periodically too to monitor employees' risk of detrimental exposure to noise. Moreover, all plants and equipment used within the Companies are subject to periodic service and maintenance to ensure optimal functionality with any defects or potential defects detected at the earliest opportunity to reduce the risk of unplanned machinery breakdowns or industrial accidents.

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 hazards to the employees, customers, suppliers, contractors and other visitors. Floor signages are placed at 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 incidents 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 as per the Company's safety and health rules and regulations. Besides, all visitors who 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 access to the Company's premises. Access to the manufacturing and storage area is also restricted to authorised personnel only with the required personal protective gear to be equipped. Strategic locations at our factories are also monitored through a closed-circuit television system while security guards are employed and deployed at important safety control points in the factories to ensure the general safety of our employees and other stakeholders within our premises.

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 an incident. 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 the occurrence of any accidents. Inspection of first aid boxes is also performed regularly by the First Aid Team of the respective companies. First aid and CPR trainings are conducted too. Besides, blinking lights are installed at the weighbridge for the safety of the lorries during night vision.

# Sustainability Statement

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 the prohibition of smoking at the workplace (except at the dedicated smoking areas) are implemented too to reduce the likelihood of fire hazards. Additionally, fire preventive equipment and systems are installed and inspected at regular intervals to ensure their functionalities are not compromised over time and clear escape route plans are placed at strategic locations. The fire alarm system is installed too to alert employees and visitors of any fire incidents.

To ensure our readiness in the event of an 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 incidents can be handled satisfactorily and promptly to minimise damage to properties and people. The electrical safety programme is also arranged to be conducted on-site by a qualified external trainer to strengthen employees' awareness and response in relation to electrical safety at the workplace.

Furthermore, a 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 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 emerging or recurring health and safety issues that may occur in the workplace and the measures undertaken to address these issues proactively. These are also discussed and reviewed by the Management annually during the Management Review Meeting. The Group strives to work towards a zero injury (both minor and major) workforce. The figures below illustrate the incident records of the Companies over 3 years from the financial year ended 2021 to 2023.

ENTITY	FYE 2023		FYE 2022		FYE 2021	
	Major	Minor	Major	Minor	Major	Minor
Ornapaper Melaka	2	2	4	3	3	6
Ornapaper Batu Pahat	1	1	5	1	9	2
Ornapaper Perak	0	0	3	0	1	0
Ornapaper Johor	0	0	0	0	0	0
Tripack	1	0	0	0	1	0
Quantum	1	0	0	0	1	0

#### Classification of Major and Minor Injury:

<b>Major injury</b>	Employees who injured cause incapacity for more than 4 calendar days
<b>Minor injury</b>	Employees who injured cause incapacity for less than 3 calendar days

# Sustainability Statement

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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 forklifts, 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.

While striving for a zero-injury workforce, we remain proactive in implementing measures to reduce incident rates. Investments in upgrading machinery and enhancing safety procedures underscore our commitment to continuous improvement. Despite challenges, we have maintained a strong record of compliance, with no major legal actions taken against the Group nor any fine or monetary sanction imposed related to occupational safety and health aspects during the financial year under review. There were no fatalities arising from occupational health and safety incidents.

On the other hand, as part of our commitment to addressing the outbreak of diseases, the Group remains vigilant in identifying and managing health risks within the workplace. While COVID-19 has transitioned to an endemic phase, we recognise the importance of maintaining preparedness for potential disease outbreaks. Therefore, we continue to review and update our outbreak response protocols, ensuring swift and effective action in the event of a health crisis.

Overall, our steadfast dedication to occupational safety and health, coupled with proactive measures to address disease outbreaks, underscores our commitment to sustainability and stakeholder well-being. Through continuous improvement and adherence to best practices, we aim to foster a work environment that promotes employee health, safety, and resilience, driving long-term business success and sustainability.

## **Environment - Compliance with Environmental Laws and Regulations, Generation and Treatment/Disposition of Scheduled Waste and Non-Hazardous Waste (Waste and Effluent)**

The Group, as a responsible corporate citizen, recognises its pivotal role in driving long-term value for stakeholders and securing a sustainable future for both the Group and the communities it interacts with, alongside the environment it depends on. With a steadfast dedication to continuous improvement, the Group endeavours to conduct its operations in an environmentally responsible manner, aiming to leave a positive impact on society and the environment alike. Central to this commitment are governance procedures designed to ensure sound environmental practices are integrated into daily operations.

Fully embracing its responsibility, the Group diligently adheres to all pertinent environmental laws and regulatory requirements, i.e. Environmental Quality Act 1974 and its associated regulations. Other environmental related laws and regulations strictly complied with by the Group are, including but are not limited to the following:

- 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

# Sustainability Statement

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The Group's target is to sustainably maintain operational quality across the Group, which would promote the sensible use of natural resources. In this regard, the attainment of ISO 14000:2015 certification underscores the Group's commitment to enhancing environmental performance and management control, thereby reducing environmental impact through more efficient use of resources and reduction of waste.

Additionally, in order to contribute to the environmental pillar of sustainability, the Company has obtained the Forest Stewardship Council ("FSC") Chain of Custody ("COC") certification and Programme for The Endorsement of Forest Certification ("PEFC") certification. These FSC certifications are credited following compliance with the required FSC principles and criteria, ensuring products originate from responsibly managed forests that provide environmental, social and economic benefits.

Hence, the Company is committed to implementing and maintaining the chain of custody requirements of the FSC COC standards. We are committed to monitoring and ensuring that all our relevant suppliers and/or outsourcing contractors who manufacture products which have been certified on FSC and PEFC have been produced in accordance with the recognised sustainable forestry practices. An FSC-PEFC COC Policy has also been established and published on the corporate website of Ornapaper to provide awareness and understanding of the Company's commitments and principles involved in promoting sustainability in processes, activities, products and services based on three aspects, namely, Prosperity, Planet and People ("3Ps").

Furthermore, the Group remains steadfast in its commitment to waste management practices, particularly in the generation and treatment/disposition of scheduled and non-hazardous waste. Given the nature and size of its operations, the Group's operating processes produce a 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 of through licensed scheduled waste operators approved by the 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 to prevent oil and waste from discharging to the drain. As for non-scheduled waste generated, it is scrapped or collected by selected waste collectors to be recycled or disposed of at landfills.

The nature of the industry the Group is involved in does not generate significant air emissions; nevertheless, this does not exempt the Group from complying with the regulatory standards established by DOE pursuant to the *Environmental Quality (Clean Air) Regulations 2014*. Emissions to the atmosphere are channelled through chimneys, with regular air emissions monitoring conducted through stack emission monitoring to ensure continuous compliance with DOE's limits. Besides, engineering controls are deployed on plants and machinery to minimise waste generation, improve air quality, and minimise/ prevent depletion of natural resources to the extent feasible.

# Sustainability Statement

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To uphold its value on the environmental proposition, the Group practices the “Reduce, Reuse and Recycle” policy to reduce waste, reuse resources and recycle materials to the extent feasible. Instances of the Group’s initiatives in practising the “Reduce, Reuse and Recycle” policy are as follows:

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

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

The Group is committed to the following corporate environmental policy: -

- Fulfill the responsibility of the trustee of the environment for this and future generations.
- To the extent possible, apply practices and control technologies that minimise pollution.
- Be committed to fulfilling compliance obligations.
- Setting and reviewing appropriate environmental objectives and targets.
- Strive to minimise release to air, water and land.
- As appropriate, take corrective action where past practices have harmed the environment.
- Providing awareness training to our management and employees on the importance of the environmental issue.
- Strive for continual improvement of the environmental management system.
- To advertise and announce the environmental policy to our customers and the general public.
- Prevent pollution through reuse, recycling, and reduction.
- To establish and implement an environmental quality assurance system by referring to Sony Technical Standards SS-00259 to control environment-related substances.

# 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 benefit of future generations. In demonstrating the Group's initiative in environmental preservation, roof thermal insulation painting in the production area was previously carried out in Ornapaper Melaka to improve the air quality and reduce temperature while providing a more comfortable and less heaty workplace to the employees in production areas.

Besides, in striving for a sustainable environment and financial benefits through a reduction in energy consumption, the Group has invested in on-site solar energy generation. The Company has installed solar panels on the factory roof, in which the energy produced from the solar panels will be consumed first, and any excess will be exported and sold to Tenaga Nasional Berhad ("TNB"). These initiatives underscore the Group's dedication to environmental sustainability and corporate responsibility, aimed at improving air quality, reducing energy consumption, and minimising carbon emissions.

The Group's energy and water consumption are summarised in the following tables.

ORNAPAPER GROUP – ANNUAL ENERGY CONSUMPTION		FYE 2023
<b>Energy Source (in GJ) *</b>		
Diesel		7,619
Petrol		5,436
LPG		513
Lubricant		164
Purchased Electricity		20,792
Solar Energy (Self-Generated)		3,032
<b>Total Energy Consumed</b>		<b>37,556</b>
<b>Energy Source (in MWh) *</b>		
Diesel		2,117
Petrol		1,510
LPG		142
Lubricant		46
Purchased Electricity		5,776
Solar Energy (Self-Generated)		842
<b>Total Energy Consumed</b>		<b>10,433</b>
<b>Breakdown by Type of Energy:</b>		
Renewable Energy	3,032 GJ	8%
Non-Renewable Energy	34,524 GJ	92%

\* Conversion factor: UK Government GHG Conversion Factors for Company Reporting 2023

# Sustainability Statement

ORNAPAPER GROUP	FYE 2023	FYE 2022	FYE 2021	TARGET
<b>Total Water Consumption (Megalitre)</b>	53.85	88.61	63.22	-
<b>Total Water Consumed/ Production Output (m<sup>3</sup>/MT)</b>	0.57	0.88	0.62	0.70

Additionally, in alignment with its commitment to maintaining environmental sustainability and striving 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, Ornapaper Perak, Ornapaper Johor and Tripack, 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 an average of 0.7 m <sup>3</sup> /MT for the next twelve months.
2. To control electricity consumption	To ensure the electricity consumption not exceeding an average of 50 kwh/MT with a tolerance level of 10% for the next twelve months.
3. To reduce the disposal of plant waste	To ensure disposal of plant waste not exceeding 11%/month.
4. To control gas consumption	To ensure the gas consumption not exceeding an average of 1.10 GJ/MT for the next twelve months.
5. To reduce the generation of glue sludge	To reduce the generation of glue sludge to 25MT/year.
6. To reduce the generation of ink sludge	To reduce the generation of ink sludge to an average of 10MT/month.

➤ **Water and Electricity Consumption (For Ornapaper Melaka):**

	FYE 2023	FYE 2022	FYE 2021	TARGET
<b>Average Water Consumed/MT (m<sup>3</sup>/MT)</b>	0.36	0.5	0.4	0.7
<b>Average Electricity Consumed/MT (kwh/MT)</b>	52	52	44	50 (with 10% tolerance)

➤ **Gas Consumption (For Ornapaper Melaka):**

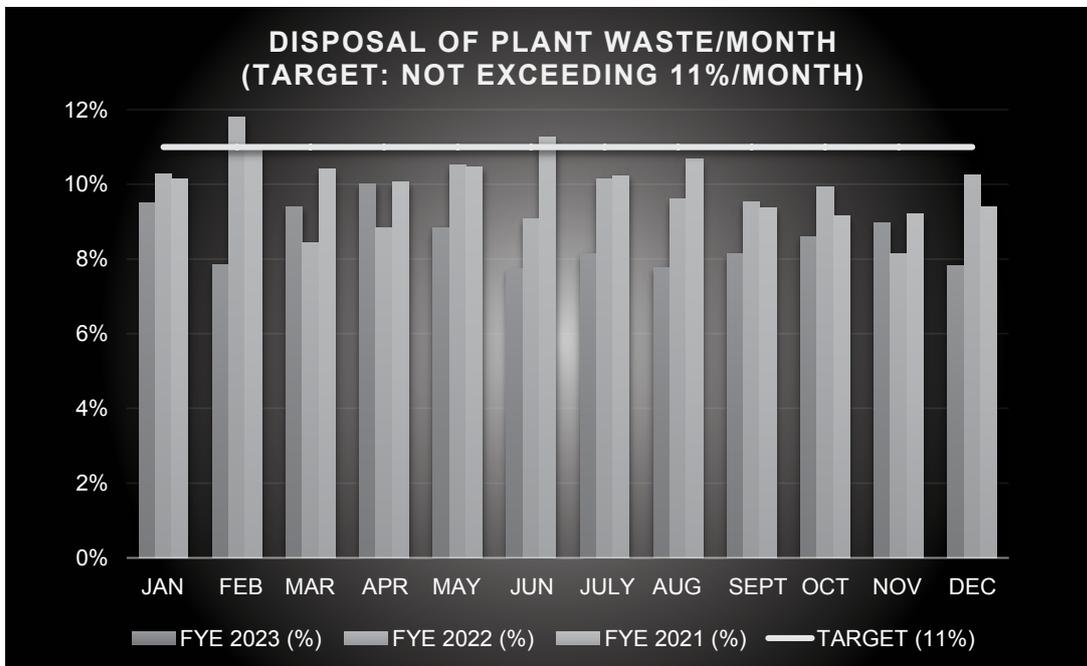
	FYE 2023	FYE 2022	TARGET
<b>Average Gas Consumed/MT (GJ/MT)</b>	0.87	1.03	1.10

# Sustainability Statement

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

	FYE 2023	FYE 2022	FYE 2021	TARGET
<b>Average Glue Sludge Generated/Year (MT/year)</b>	14.11	10.72	11.52	25
<b>Average Ink Sludge Generated/ Month (MT/month)</b>	2.14	3.58	3.61	10

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



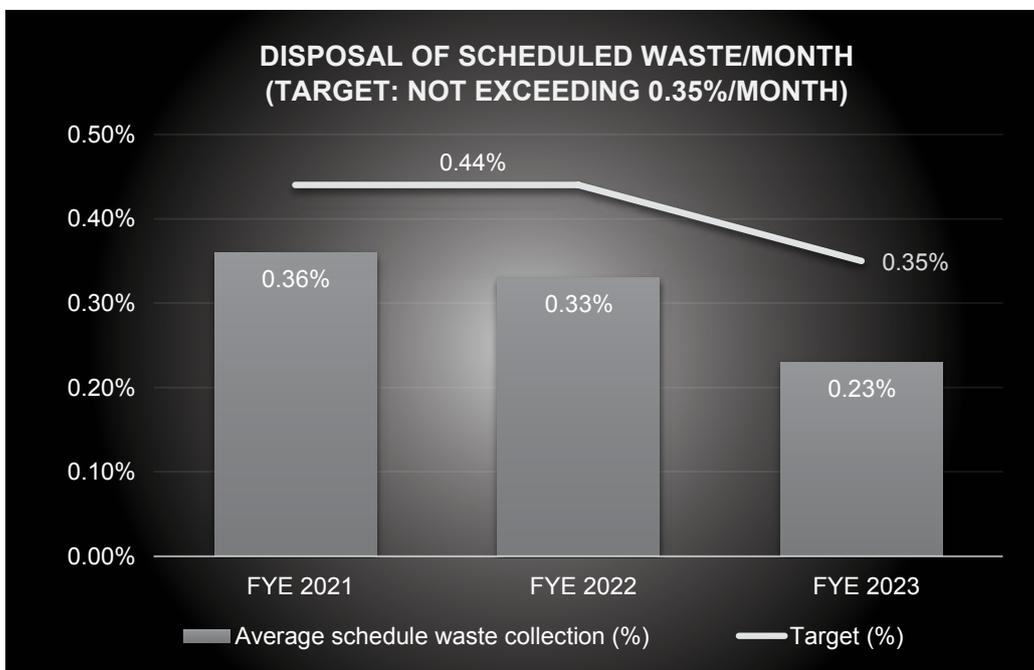
ORNAPAPER BATU PAHAT	
Environmental Objective(s)	Environmental Target(s)
1. To control water consumption	To control the average consumption of water not exceeding 1.0 m <sup>3</sup> /MT for the next twelve months.
2. To control electricity consumption	To ensure the electricity consumption not exceeding an average of 83 kwh/MT with a tolerance level of 10% for the next twelve months.
3. To control the disposal of scheduled wastes	To control the generation of scheduled wastes below 0.35% for the next twelve months.

# Sustainability Statement

## ➤ Water and Electricity Consumption (For Ornapaper Batu Pahat):

	FYE 2023	FYE 2022	FYE 2021	TARGET
Average Water Consumed/MT (m <sup>3</sup> /MT)	0.79	1.04	0.92	1.0
Average Electricity Consumed/MT (kwh/MT)	90.15	86.80	74.80	83 (with 10% tolerance)

## ➤ Disposal of Scheduled Waste (For Ornapaper Batu Pahat):



ORNAPAPER PERAK	
Environmental Objective(s)	Environmental Target(s)
1. To control energy consumption	To ensure the energy consumption not exceeding an average of 70.32 kwh/MT for the next twelve months.
2. To control water consumption	To ensure the water consumption not exceeding an average of 0.90 m <sup>3</sup> /MT for the next twelve months.
3. To reduce the disposal of plant waste	To ensure disposal of plant waste not exceeding 9.5%/month.
4. To control the disposal of ink sludge	To control the disposal of ink sludge collection to an average of 2,000 kgs/month.

# Sustainability Statement

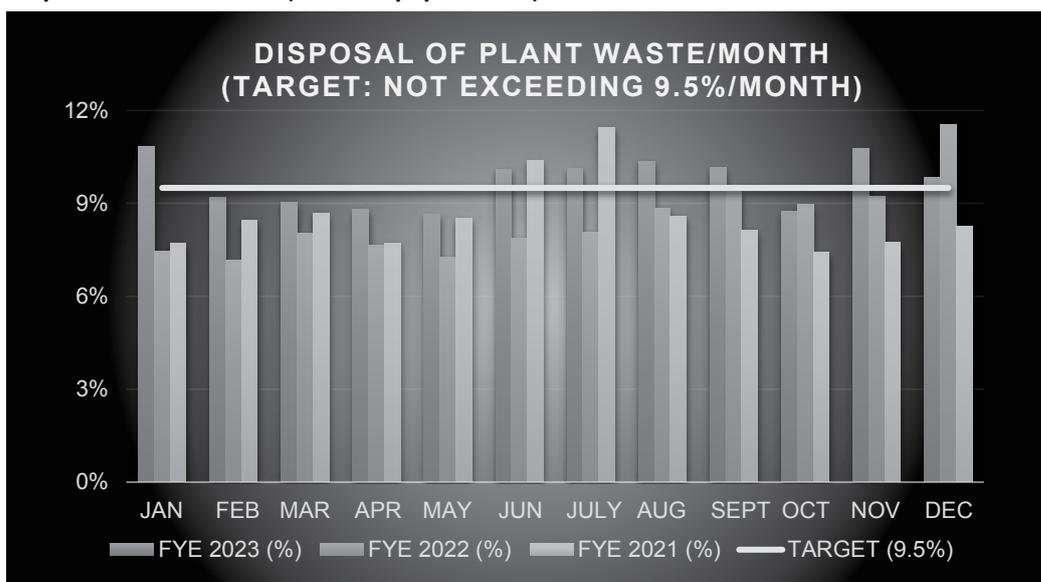
➤ **Energy and Water Consumption (For Ornapaper Perak):**

	FYE 2023	FYE 2022	FYE 2021	TARGET
<b>Average Energy Consumed/MT (kwh/MT)</b>	51.49	50.36	53.85	70.32
<b>Average Water Consumed/MT (m<sup>3</sup>/MT)</b>	0.73	0.82	0.87	0.90

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

	FYE 2023	FYE 2022	FYE 2021	TARGET
<b>Average Ink Sludge Disposed/ Month (kgs/month)</b>	1,280	1,693	1,488	2,000

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



ORNAPAPER JOHOR	
Environmental Objective(s)	Environmental Target(s)
1. To control water consumption	To ensure the water consumption not exceeding an average of 0.40 m <sup>3</sup> /MT for the next twelve months.
2. To control electricity consumption	To ensure the electricity consumption not exceeding an average of 45 kwh/MT for the next twelve months.
3. To reduce the disposal of ink sludge	To reduce the disposal of ink sludge to not exceeding an average of 10.5 MT/month.

# Sustainability Statement

➤ **Water and Electricity Consumption (For Ornapaper Johor):**

	FYE 2023	TARGET
Average Water Consumed/MT (m <sup>3</sup> /MT)	0.40	0.40
Average Energy Consumed/MT (kwh/MT)	44	45

➤ **Disposal of Ink Sludge (For Ornapaper Johor):**

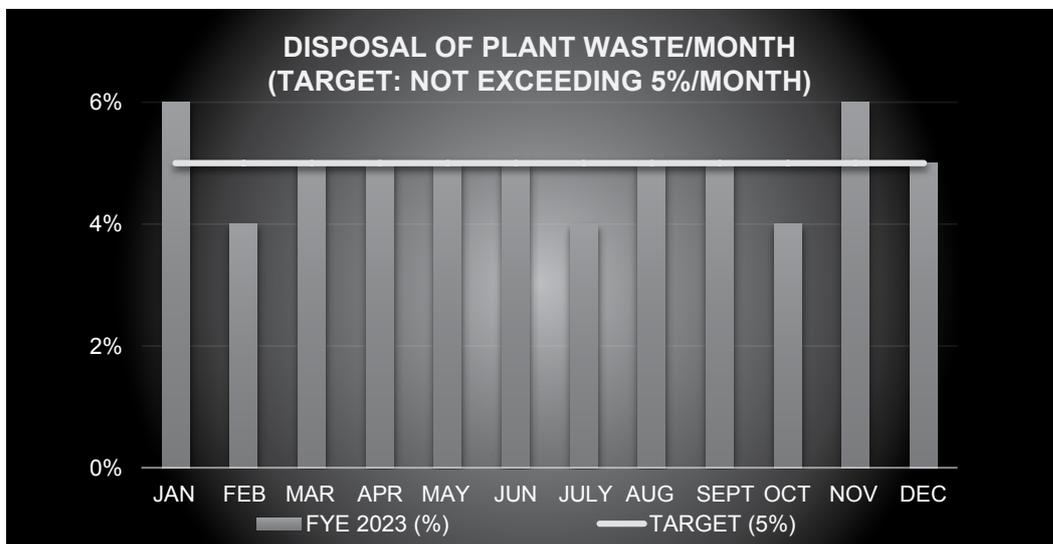
	FYE 2023	TARGET
Average Ink Sludge Disposed/Month (MT/month)	10.27	10.5

TRIPACK	
Environmental Objective(s)	Environmental Target(s)
1. To control water consumption	To ensure the water consumption not exceeding an average of 0.30 m <sup>3</sup> /MT for the next twelve months.
2. To control energy consumption	To ensure the energy consumption not exceeding an average of 45 kwh/MT for the next twelve months.
3. To reduce disposal of paper waste	To ensure disposal of paper waste not exceeding 5%/month.

➤ **Water and Energy Consumption (For Tripack):**

	FYE 2023	TARGET
Average Water Consumed/MT (m <sup>3</sup> /MT)	0.30	0.30
Average Energy Consumed/MT (kwh/MT)	54.38	45

➤ **Disposal of Paper Waste (For Tripack):**



# Sustainability Statement

In order to instil an environmentally friendly mindset in all employees as well as the compliance requirements of the Environmental Quality Act and its regulations, continuous environmental preservation awareness trainings (i.e. environmental management system (“EMS”) trainings) are provided to employees on the environmental causes championed and the required conducts expected from the employees.

TRAINING / YEAR	ENTITY	YEAR 2023	YEAR 2022	YEAR 2021
NO. OF ENVIRONMENTAL MANAGEMENT SYSTEM (“EMS”) RELATED TRAINING	ORNAPAPER MELAKA	163	169	133
	ORNAPAPER BATU PAHAT	176	117	89
	ORNAPAPER PERAK	84	113	72
	ORNAPAPER JOHOR	19	0	0
	TRIPACK	11	10	1
	QUANTUM	2	2	0

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.

## Anti-Bribery and Corruption

The Group places integrity at the forefront of its values and is dedicated to combatting corruption and bribery throughout its operations and value chain. Recognising the importance of conducting business responsibly and transparently, the Group is committed to upholding professionalism and integrity in all business dealings with business associates, including but not limited to customers, suppliers, agents, and consultants. In line with the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 effective from 1 June 2020, the Group continuously implements initiatives to ensure adequate measures are in place, following the TRUST principle outlined in 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 all forms of gratification as well as applicable anti-bribery and corruption laws and regulations. The approved Group’s Anti-Bribery and Corruption Framework is published on the corporate website of Ornapaper too. The Group upholds the 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 are protected, even if it results in losing business opportunities.

# Sustainability Statement

The Group's core principle regarding anti-bribery and corruption is embedded in its Code of Conduct, approved by the Board, along with misconduct and conflicts of interest requirements outlined in the Employee Handbook and related human resources policies and procedures. These documents clearly define the Board's expectations for officers, employees, and business associates to adhere to good business practices and maintain high levels of personal conduct and integrity. Besides, the Group consistently conducts awareness programs and training sessions for both new and existing employees to reinforce anti-bribery and anti-corruption measures, while also promoting integrity and ethics.

Moreover, the Group acknowledges the significance of ethical conduct in its business activities and is committed to adhering to principles of transparency, integrity, objectivity, and accountability in the conduct of its businesses and affairs at the 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. During the financial year under review, the Group has undertaken a corruption-related risk assessment which covers all the Group's operations.

	YEAR 2023	YEAR 2022	YEAR 2021	TARGET
<b>Percentage of Operations Assessed for Corruption-Related Risk (%)</b>	100%	100%	100%	100%
<b>No. of Confirmed Corruption Incidents</b>	0	0	0	Zero tolerance

	YEAR 2023	YEAR 2022	YEAR 2021	TARGET
<b>% Employees Received Training on Anti-Corruption</b>	80%	31%	1%	90%
- <b>Managerial &amp; Above</b>	77%	52%	20%	
- <b>Executive &amp; Below</b>	80%	30%	0%	

Additionally, the Group has established a Whistleblowing Policy, approved by the Board and administered by the Audit Committee, to support its principles and code of conduct. The approved Whistleblowing Policy is also accessible on Ornapaper's corporate website. A dedicated channel for whistleblowing is established to encourage whistle-blowers (including anonymous disclosure) to report any instances of unethical behaviour or workplace grievances to the appropriate authority level, with strict confidentiality and protection against reprisal, unless prohibited by law. This initiative underscores the Group's commitment to fostering impartiality in the workplace. There were zero incidents 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.

# Sustainability Statement

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## Supply Chain Management

The Group prioritises responsible practices within our supply chain management in our pursuit of social sustainability. Central to this approach is our deliberate sourcing strategy, wherein the majority of our primary raw materials are procured from local suppliers. This strategic decision not only underscores our commitment to quality and reliability but also underscores our dedication to fostering positive socio-economic impacts within the communities in which we operate. By sourcing from local suppliers, as reasonably feasible, the Group contributes to the economic growth and vitality of these communities. Increased spending on local suppliers means more revenue circulating within the local economy, which in turn supports local businesses, creates job opportunities and fosters overall community development.

Furthermore, by establishing strong partnerships with local suppliers, the Group promotes collaboration and mutual support within the community. This collaborative approach strengthens relationships and builds trust between the Group and its suppliers, leading to more sustainable and resilient supply chain practices. Overall, our commitment to sourcing from local suppliers aligns with our broader goals of social responsibility and sustainability. By supporting local economies and communities through our procurement practices, we aim to create positive social impacts while ensuring the long-term viability of our supply chain operations.

## Data Privacy and Security

Our dedication to data privacy and security is integral to our commitment to professional ethics and integrity. Upholding the principles of confidentiality and trust, we prioritize the protection of sensitive information for all stakeholders, including employees, suppliers, and customers. Through adherence to the Personal Data Protection Act (“PDPA”) and stringent security measures, we ensure the security and confidentiality of data across our operations.

We are pleased to report that no substantiated complaints have been received regarding breaches of customer privacy or incidents of confidential data loss during the financial year under review. This achievement reflects our relentless focus on maintaining the highest standards of data protection and security. By prioritising data privacy, we not only comply with legal requirements but also demonstrate our respect for individual privacy rights and our commitment to ethical business conduct.

## Social

The Group recognises the paramount importance of upholding social values across its entire value chain to cater to the needs of stakeholders impacted by its operations. With a commitment to ethical conduct and transparency, the Group endeavours to cultivate enduring and trusting relationships with all stakeholders.

Central to the Group's long-term success and sustainability is its workforce, acknowledged as a pivotal asset and a key driver of business success. Fostering human capital development and maintaining a resilient workforce are imperative for supporting ongoing business expansion and growth. Therefore, the Group prioritizes equitable treatment, ensuring a safe, healthy, and sustainable working environment. Additionally, the Group actively invests in employee development to enhance skills, knowledge, and talents, empowering employees to contribute effectively while pursuing their career aspirations.

# Sustainability Statement

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In its efforts to maintain a competitive edge and attract top talent, the Board is committed to offering employees with fair remuneration and benefits that are commensurate with their duties and responsibilities, alongside ongoing training and development as well as career advancement opportunities. 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.

The Board is committed to building a performance-based culture by allowing employees to demonstrate their capabilities and recognise their potential to be leaders. The Group is mindful that fair compensation is vital in motivating and engaging the 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 the efforts dedicated by them in delivering their duties and responsibilities.

The Group is dedicated to fostering a positive and supportive workplace environment, where employees are actively engaged through various avenues to facilitate the efficient flow of information and optimise operational performance. As part of this commitment, annual performance appraisals are conducted by the Management. These assessments serve not only as a basis for performance-based remuneration but also as an opportunity for meaningful two-way communication. During these evaluations, management communicates feedback on past performance and articulates expectations for the future, while also inviting input from employees regarding their commitment and concerns. This open dialogue ensures ongoing monitoring and contributes to the sustainable development of the Group.

Ensuring a secure and supportive workplace remains a key focus of the Group's business strategy, with particular attention to health and safety improvements benefiting employees and other stakeholders. Recognising the inherent risks associated with the Group's operations, particularly within the Production Department, the Board is committed to taking every possible measure to safeguard the occupational safety and health of all individuals involved. In accordance with the *Occupational Safety and Health Act 1994*, all employees are entrusted with the responsibility to adhere to occupational safety and health-related standard operating procedures. 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 is firmly committed to fostering diversity and inclusivity in the workplace, championing a culture that respects and celebrates the diverse ethnicities and cultures of Malaysia. By recognising the unique needs of different ethnic groups, the Group ensures that its business operations accommodate these needs effectively. Upholding principles of fairness and equality, the Group provides all employees, irrespective of race, ethnicity, religion, nationality, age, marital status, gender, or any other protected characteristic, with equitable opportunities and treatment. This commitment extends to various aspects of employment, including recruitment, salary increments, benefits, promotions, retention, and training. Such practices are essential in motivating employees, fostering better performance, and driving continuous improvement.

To reinforce its commitment to transparency and fairness, the Group has developed a comprehensive Employee Handbook and Human Resource policies and procedures, ensuring clarity in employee benefits and entitlements. The Group strictly prohibits all forms of discrimination in the workplace, including those based on race, religion, nationality, gender, age, marital status, pregnancy status, sexual orientation, or physical disability. Every individual is empowered with equal rights and opportunities to contribute to 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 leave 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 within the workplace.

# Sustainability Statement

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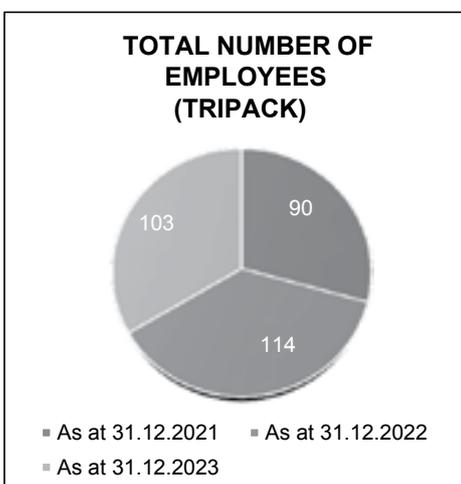
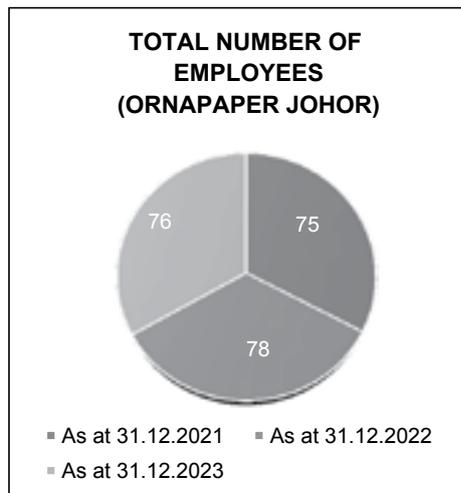
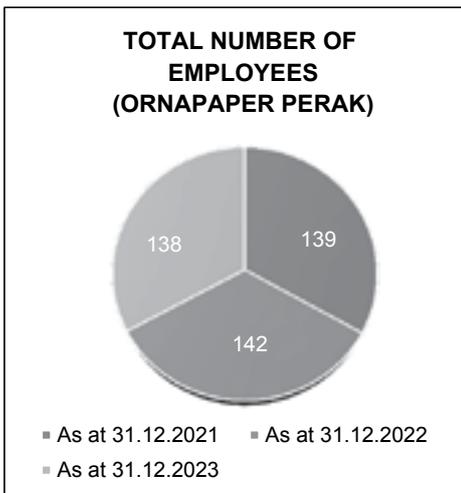
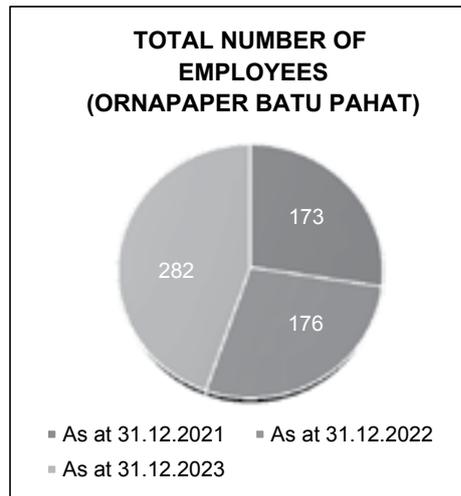
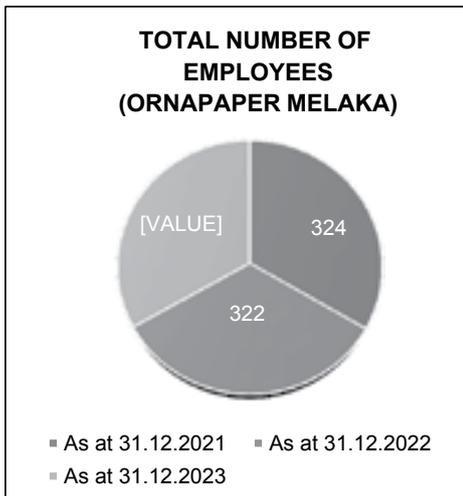
The Group is dedicated to providing a work environment that is conducive, safe, and free from sexual harassment. Any form of sexual harassment is deemed a serious violation of the Company's rules and regulations as well as work values. No employees, regardless of male or female, shall be treated with any unsolicited and/or unwelcome sexual conduct/ behaviours having the effect of verbal, non-verbal, visual, psychological or physical harassment. In this respect, the Company has established a Policy on the Prevention and Eradication of Sexual Harassment at the Workplace which is also being published on the respective departments' notice boards for the understanding and awareness of all employees, as well as on the corporate website of Ornapaper in signifying Ornapaper's effort and stern emphasis on prohibition and eradication of sexual harassment at workplace.

In addition, as the Company embraces sustainability of the 3Ps (prosperity, planet and people), we are committed to not being directly or indirectly involved in any violations of any of the International Labour Organisation ("ILO") Core Conventions as defined in the ILO Declaration on Fundamental Principles and Rights at Work, which are written in the FSC-PEFC COC Policy established by the Company and published in the corporate website of Ornapaper, shown as follows. The Group upholds these standards to ensure the well-being and dignity of its workforce while fostering a culture of respect, fairness, and inclusivity.

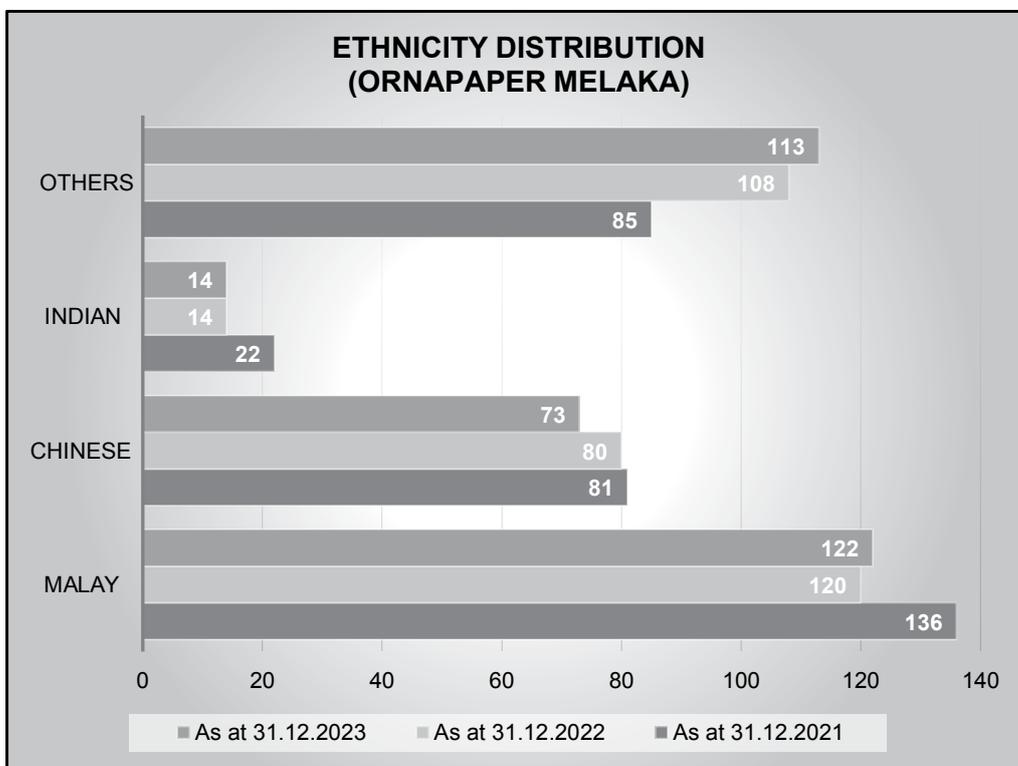
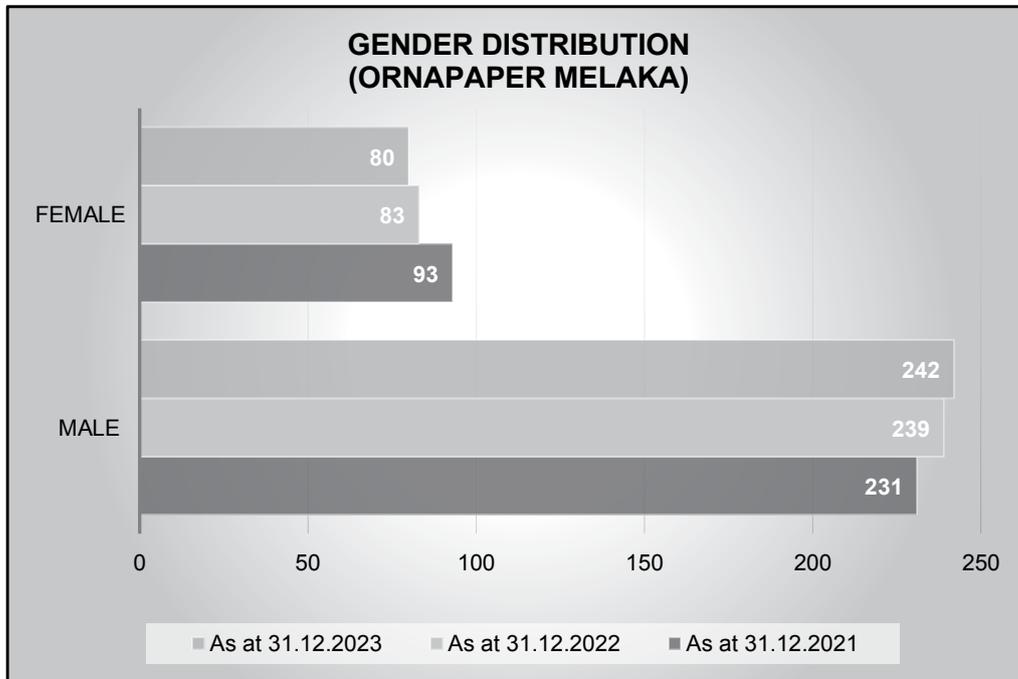
- (a) No forced, bonded and indentured labour.
  - Under no circumstances forced labour shall be used, whether in the form of compulsory or trafficked labour, indentured labour, bonded labour, or any other forms.
  - Mental and physical coercion, slavery and human trafficking are prohibited.
  - Workers are not required to work more than the regular hours, and all overtime work by workers is on a voluntary basis.
- (b) No child labours.
  - All workers employed shall be above 18 years old, or under the local legal minimum age for work or mandatory schooling, whichever is higher.
- (c) Freedom of association and the effective recognition of the right to collective bargaining.
  - Workers are not intimidated or harassed in the exercise of their rights to join or refrain from joining any organisation.
- (d) No discrimination, harassment and abuse.
  - Workers are not subject to any physical, sexual, psychological or verbal harassment, abuse, or other forms of intimidation.
  - Shall not engage in, support or tolerate discrimination in employment.
- (e) Safe and healthy working environment.
- (f) Consistent wages, benefits and terms of employment.
- (g) Complaints and grievances.
  - A proper channel is established and regular meetings are conducted for employees to raise their concerns.
- (h) Welfare of employees is taken care of.
  - All workers are provided with transparent, fair and confidential procedures that result in the swift, unbiased and fair resolution of difficulties that may arise as part of their working relationship.
  - All provisions of services and facilities for workers and their dependents are at, or above, the legally required minimum standards (if applicable).
- (i) Training and competency
  - Training and development opportunities are provided equally to all employees.

# Sustainability Statement

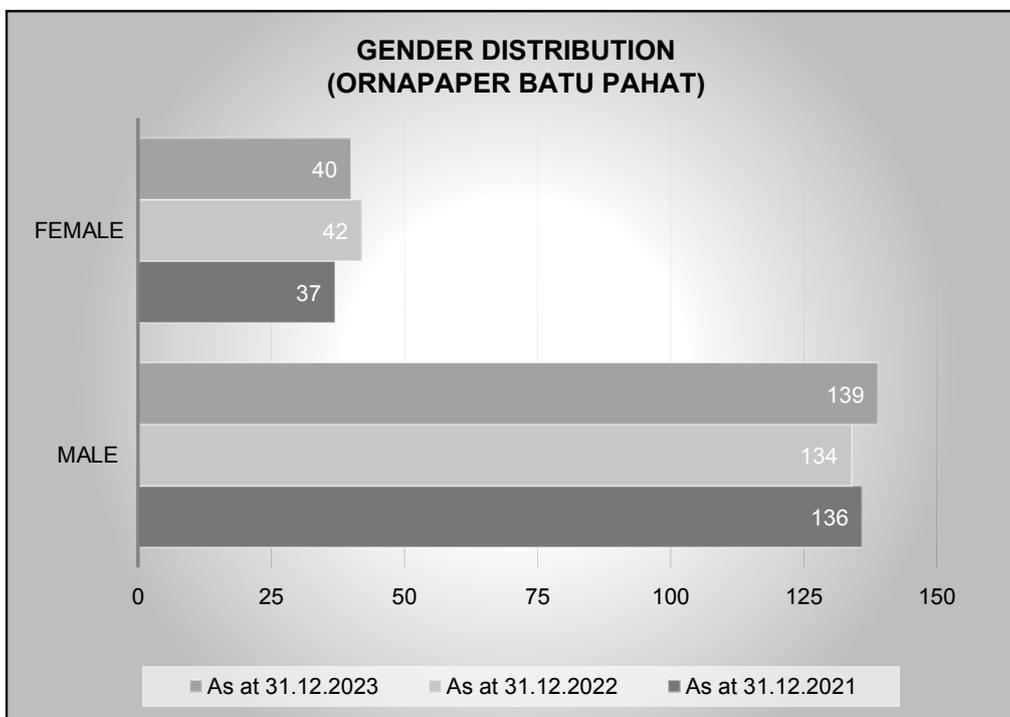
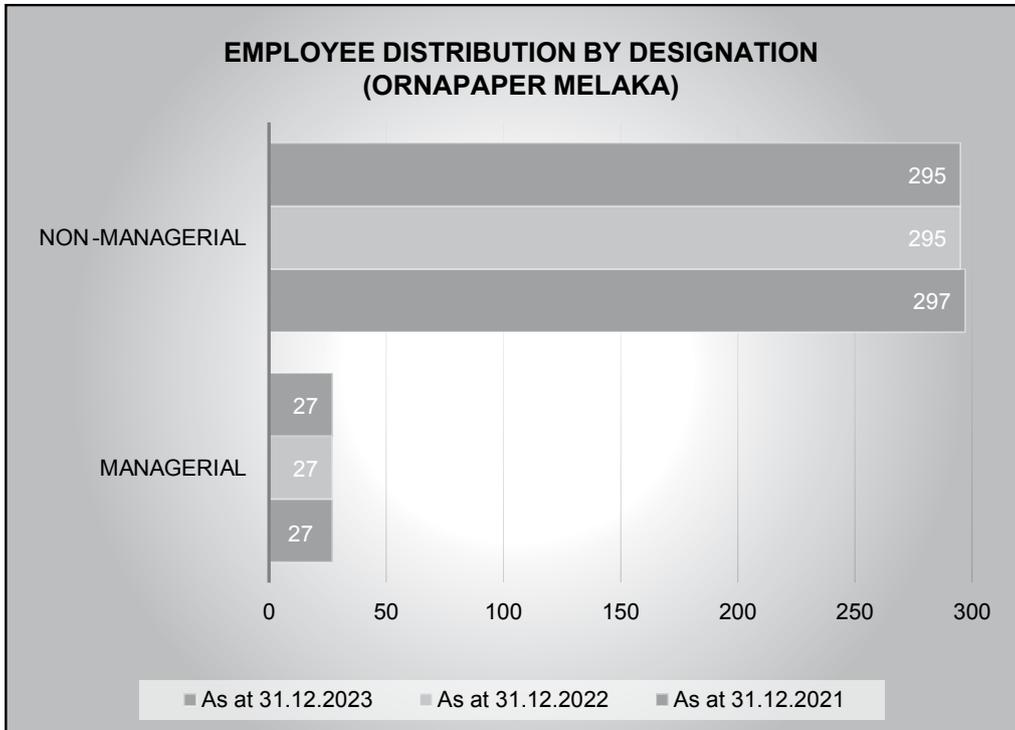
A full breakdown of our workforce in Ornapaper Melaka, Ornapaper Batu Pahat, Ornapaper Perak, Ornapaper Johor, Tripack and Quantum is illustrated below.



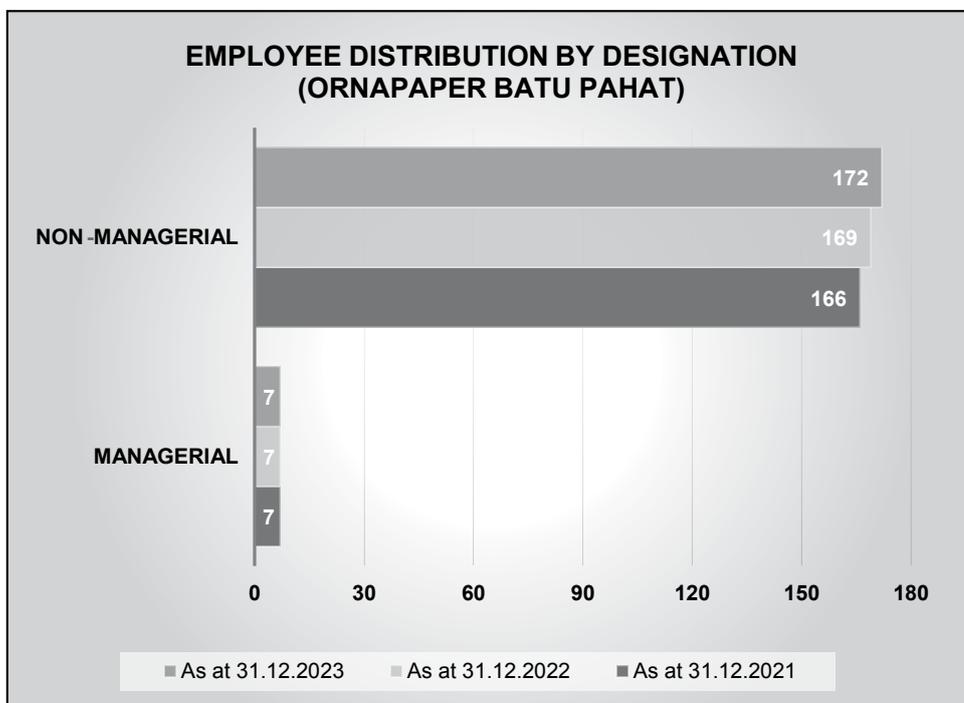
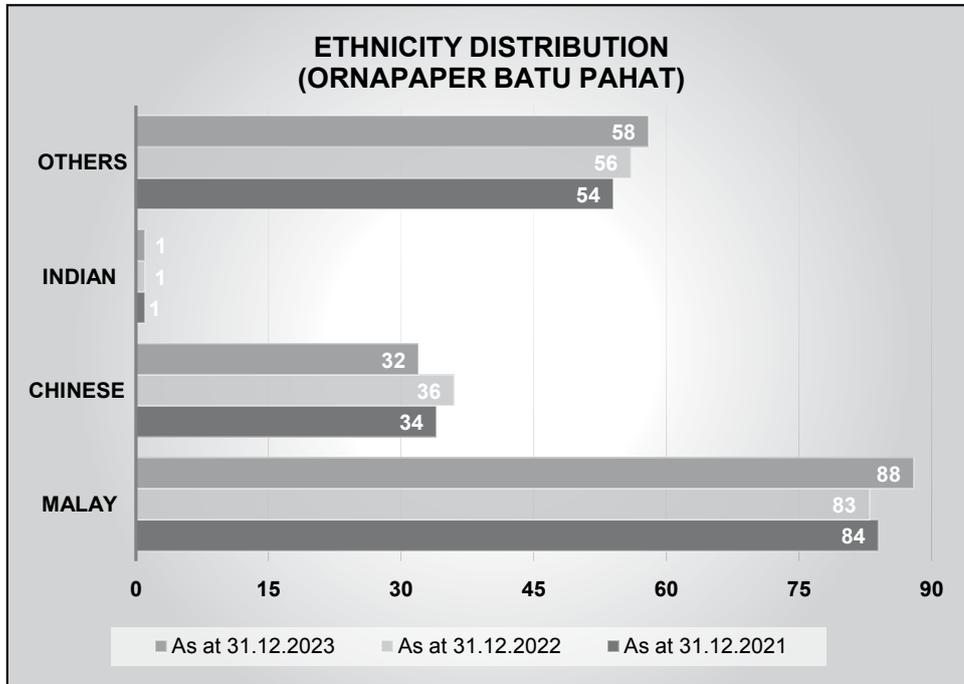
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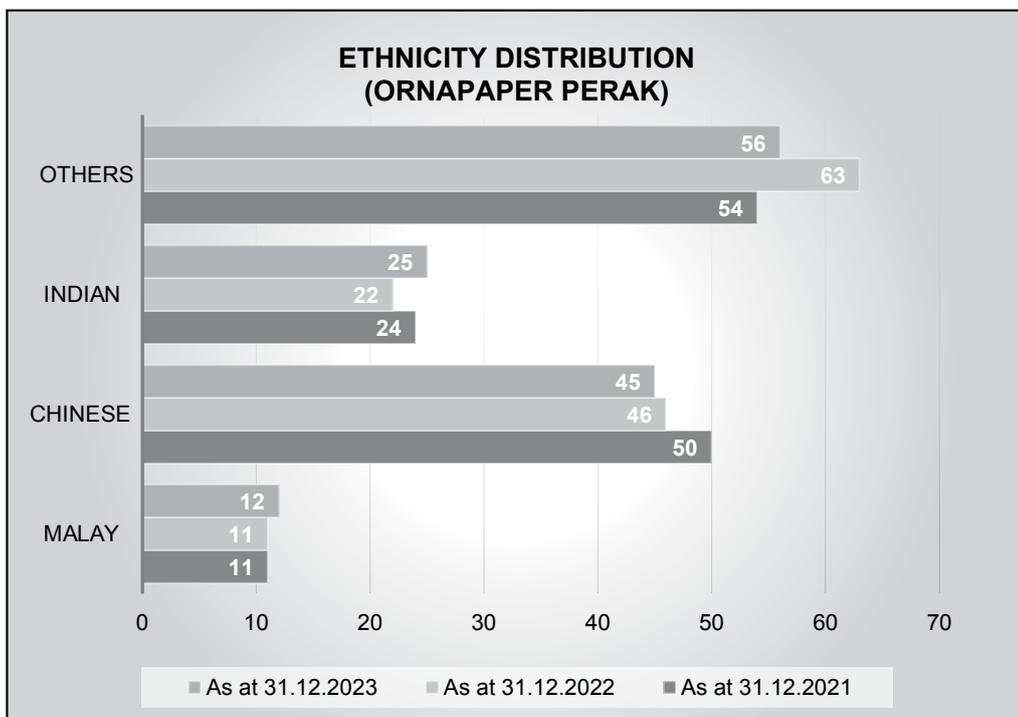
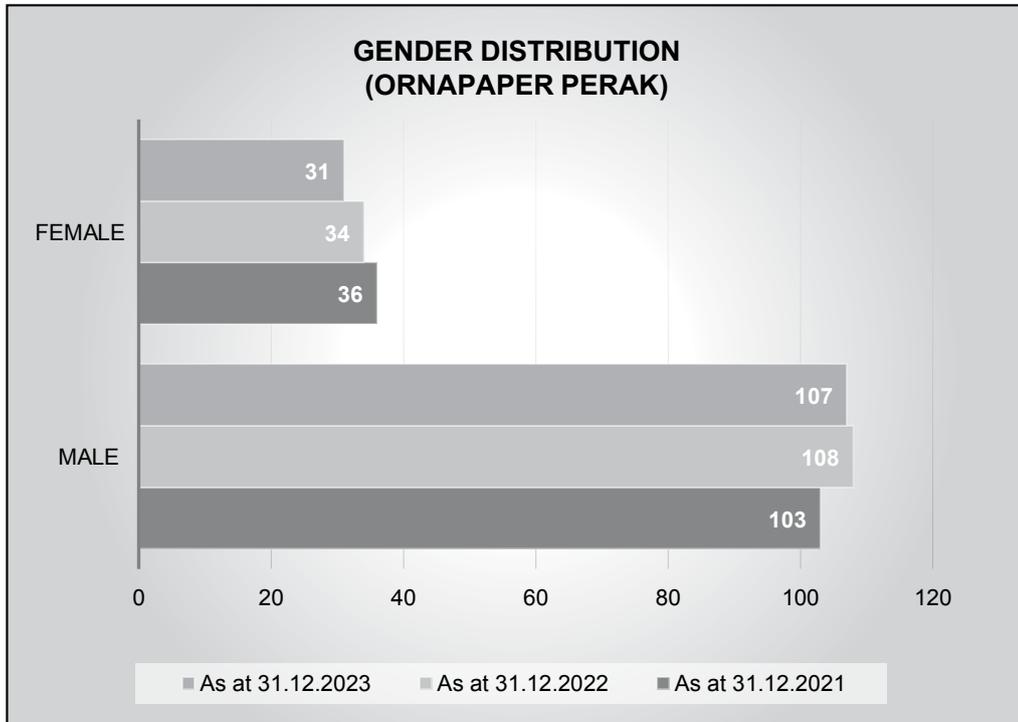
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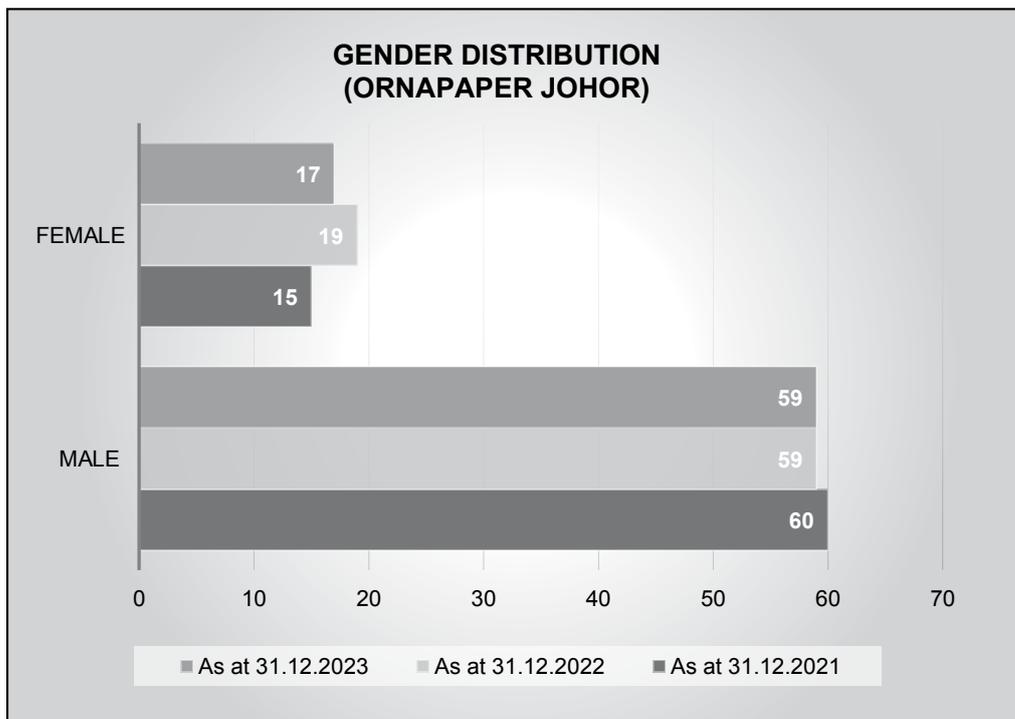
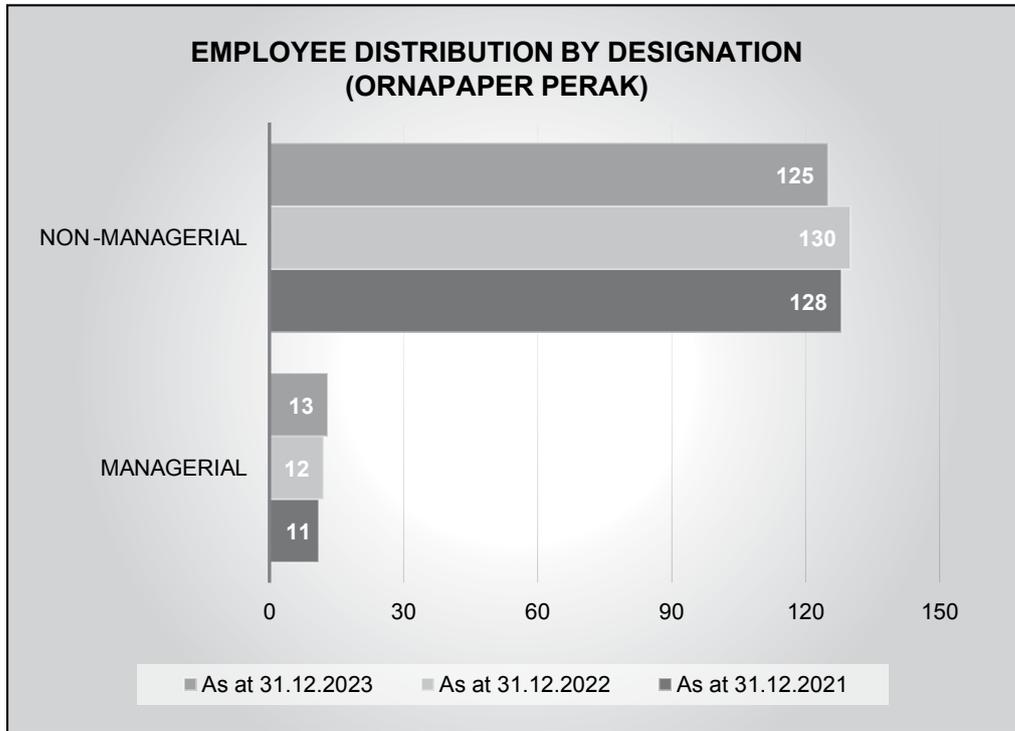
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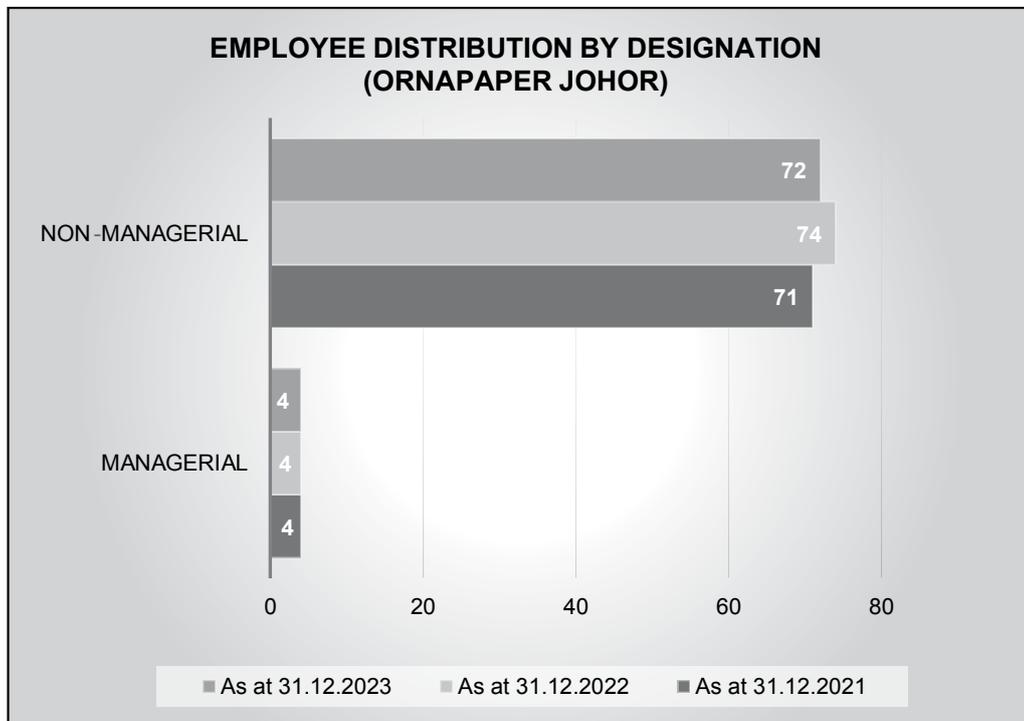
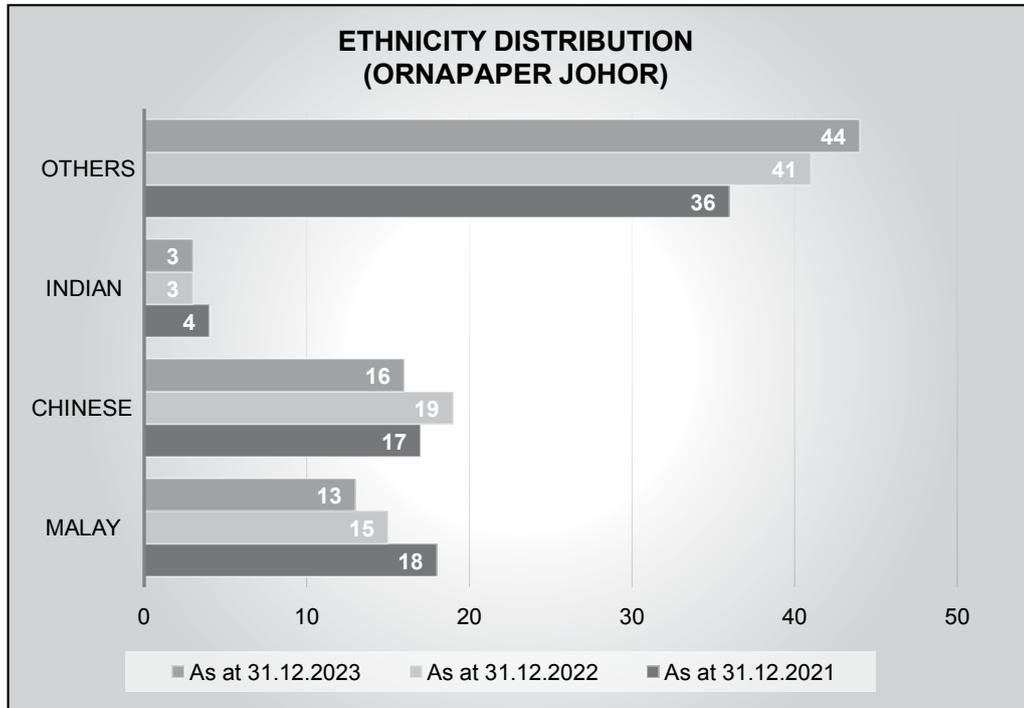
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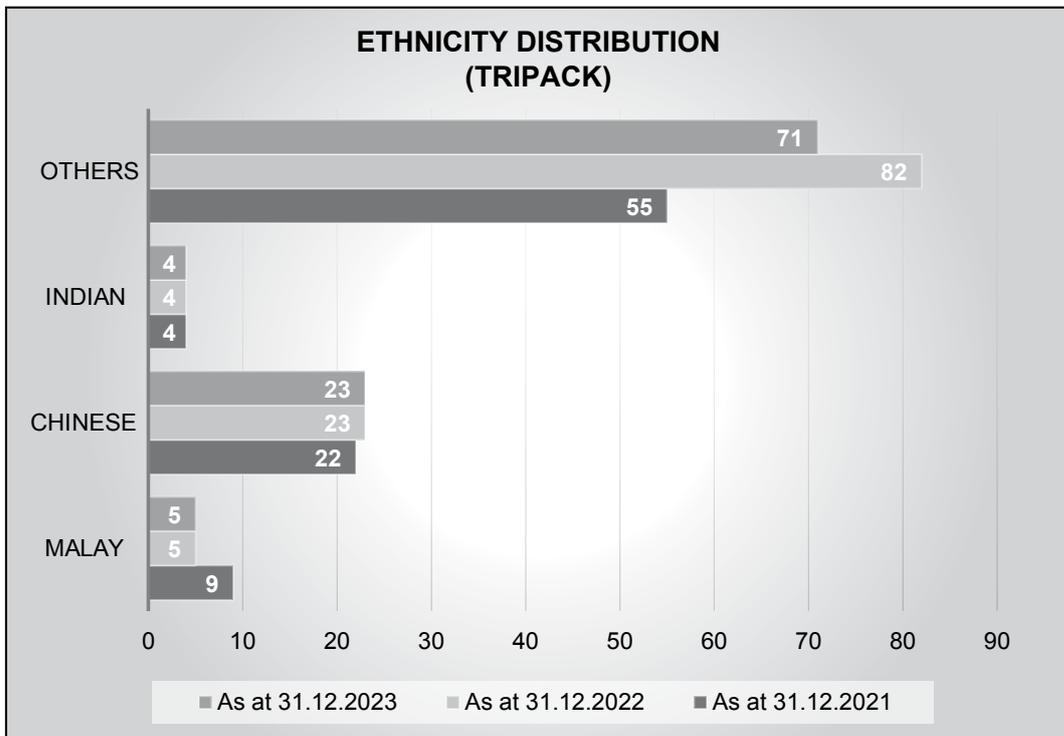
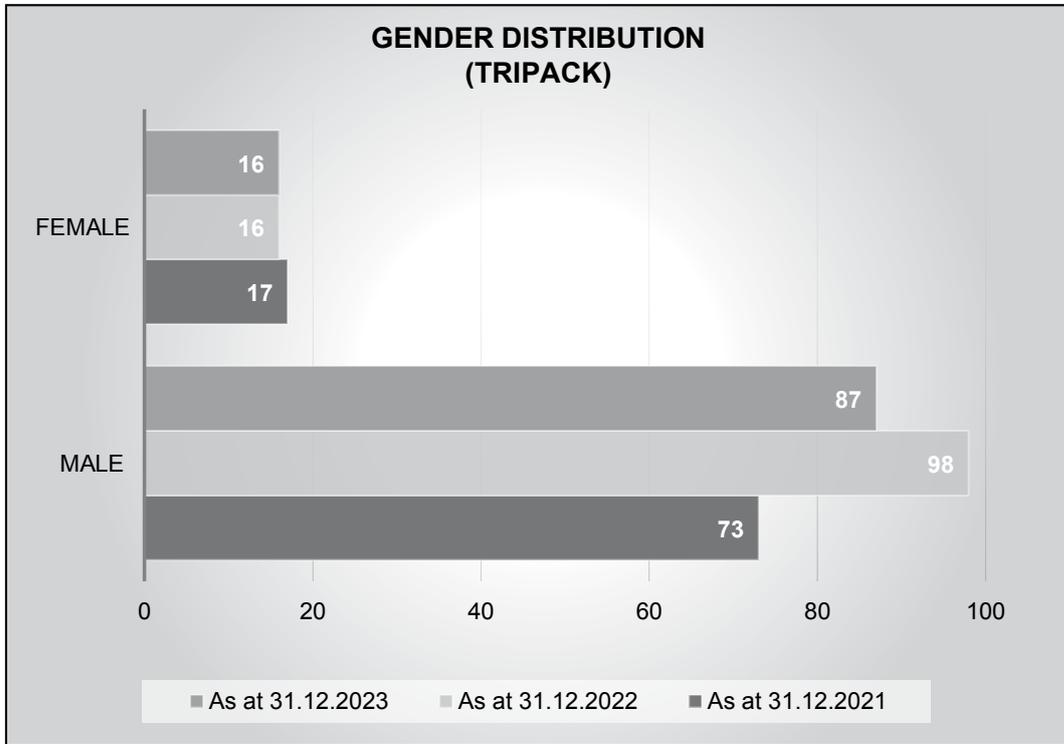
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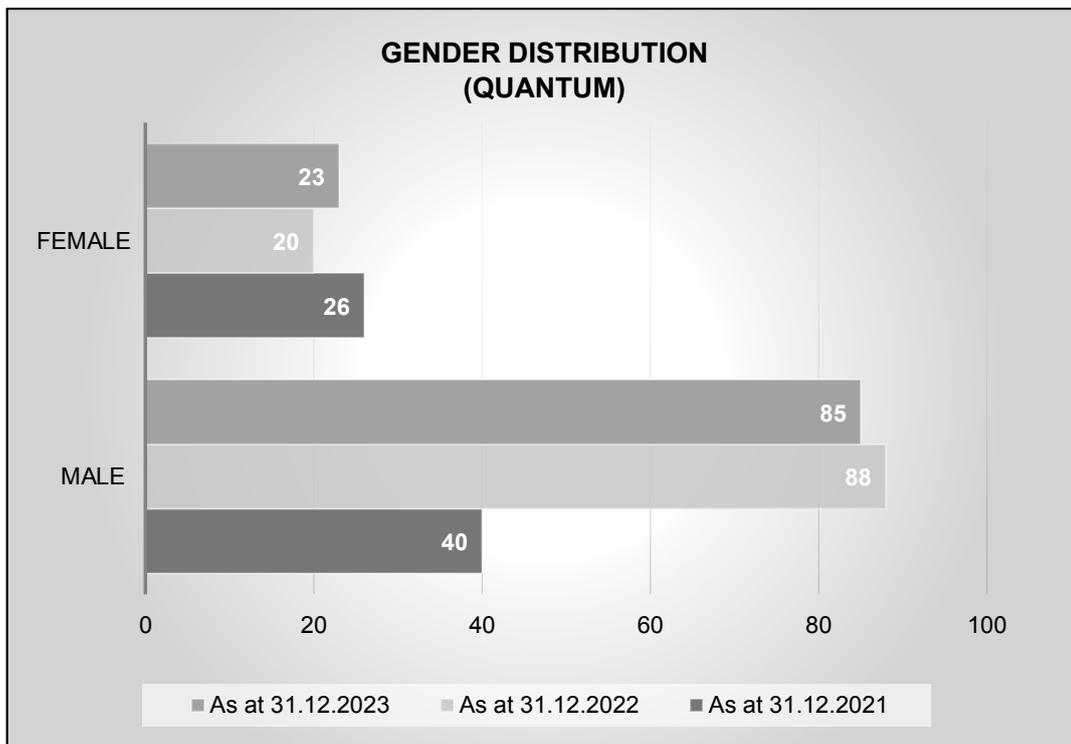
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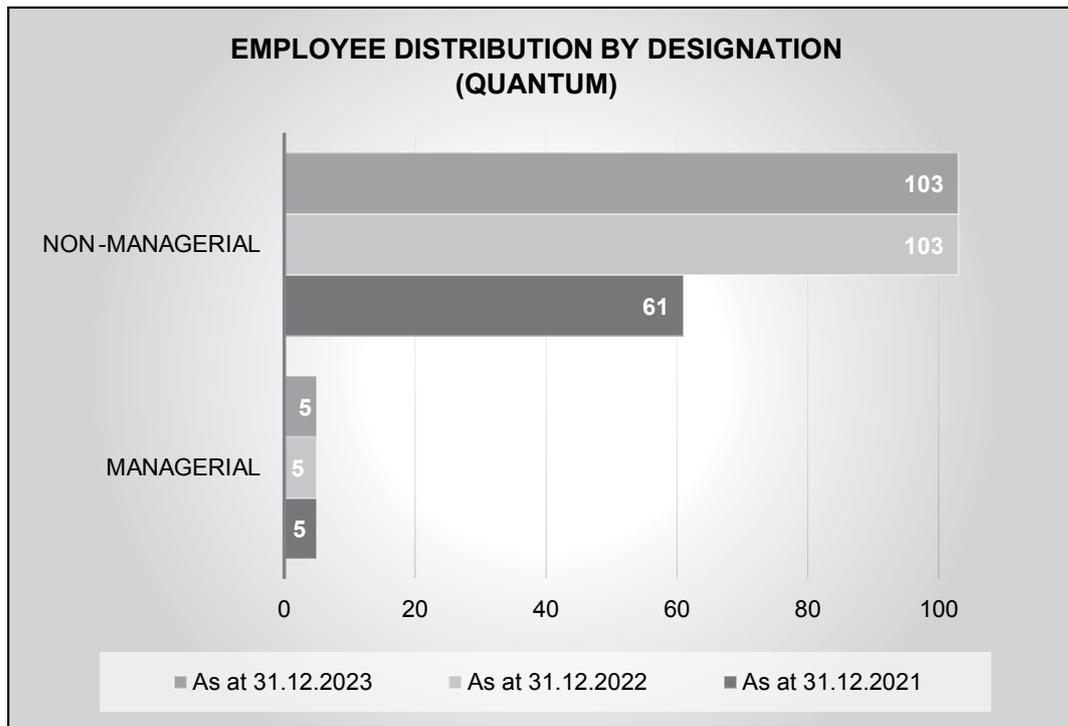
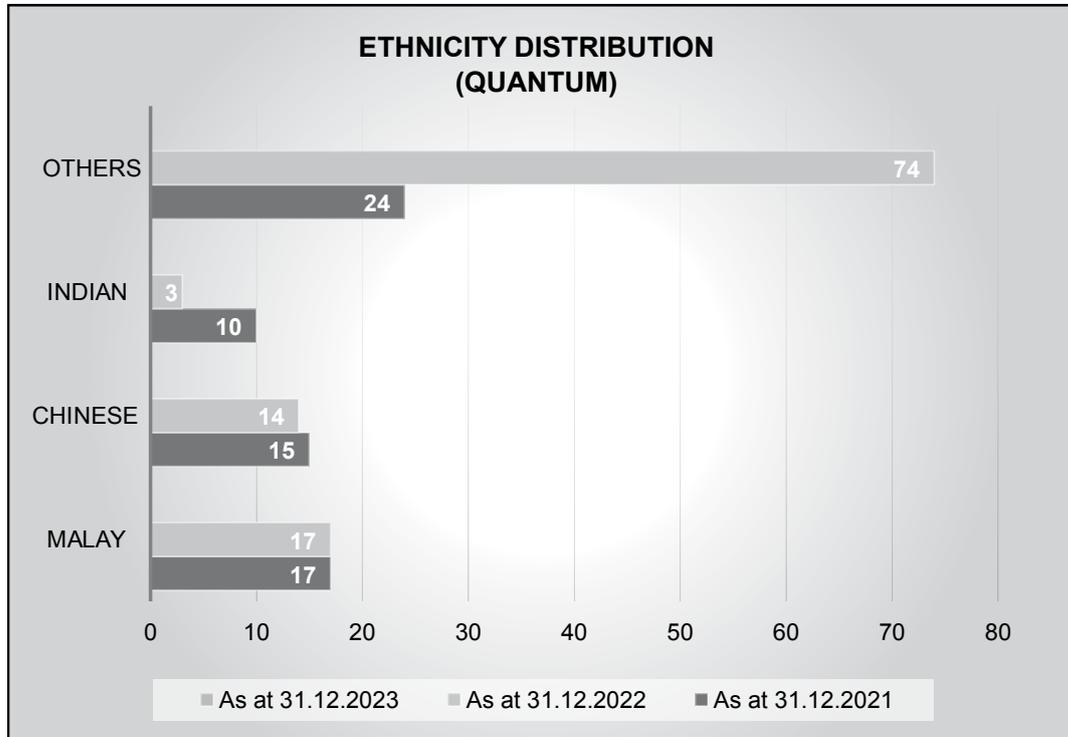
# Sustainability Statement



# Sustainability Statement



# Sustainability Statement



# Sustainability Statement

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As a responsible corporate citizen, the Group is dedicated to implementing sustainable and ethical practices that contribute to the long-term growth of businesses, environmental conservation, and social well-being. In fostering the aspect of social responsibility, the Group prioritises the rights of its employees by adhering strictly to all relevant human resource and social legislation, including but not limited to *The Federal Constitution of Malaysia*, the *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*, just to name a few important ones.

Last but not least, the Group places great emphasis on corporate philanthropy and community investment as part of its commitment to being a responsible corporate citizen. By leveraging its capabilities and resources, the Group aims to create sustainable value for both the community and economic growth. Throughout the financial year, the Group has supported various community initiatives through corporate donations and participation in community events. Moving forward, the Group remains steadfast in its commitment to investing in community programs and other corporate social responsibility endeavours to contribute to the enhancement and betterment of local communities.

Beyond building sustainability in business operations, we also recognise the importance of being responsible to society by not only providing financial and non-financial support to the local communities and those in need but also sharing our knowledge base for the next generation of community development. To this end, the Group offers internship programs to students, providing them with valuable work experience and skills development opportunities during their semester breaks and at the same time fulfilling their internship requirements. These programs not only prepare students for future employment but also serve as a talent pipeline for the Group's business operations and expansion plans.

During the financial year, the Group has actively contributed to the advancement of education, particularly for young children, with the aim of promoting literacy and education among future generations. By investing in education, the Group endeavours to improve people's quality of life and foster sustainable development. The Group's philanthropic efforts extend beyond education to support non-profit organisations engaged in social and economic development initiatives.

Overall, the Group values long-term relationships with the communities in which it operates, as well as broader society, as integral to achieving sustainable business growth. Through its commitment to ethical practices, community investment, and education, the Group strives to make a positive and lasting impact on society while fulfilling its corporate responsibilities.

# Sustainability Statement

**Performance Data Table**

Indicator	Unit	2023	2022	2021	Target
<b>Anti- Fraud, Bribery and Corruption</b>					
Bursa C1(a) Percentage of employees who have received training on anti-corruption					More than 90% of employees received training on anti-bribery and corruption
- Total Employees	Percentage	80%	31%	1%	-
- Managerial and above	Percentage	77%	52%	20%	-
- Executive and below	Percentage	80%	30%	0%	-
Bursa C1(b) Percentage of operations assessed for corruption related risks	Percentage	100%	100%	100%	100% of operations assessed for corruption-related risks
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0	Zero tolerance of bribery and corruption
<b>Community Investment</b>					
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	111,968	83,338	-	-
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	43	36	-	-
<b>Diversity</b>					
Bursa C3(a) Percentage of employees by gender and age group, for each employee category					
<b>Age Group by Employee Category</b>					
Managerial and above (below 25)	Percentage	0%	0%	0%	-
Managerial and above (25-35)	Percentage	3%	3%	2%	-
Managerial and above (35-45)	Percentage	29%	19%	19%	-
Managerial and above (45-60)	Percentage	54%	61%	62%	-
Managerial and above (above 60)	Percentage	14%	16%	17%	-
Executive and Supervisory (below 25)	Percentage	1%	4%	4%	-
Executive and Supervisory (25-35)	Percentage	33%	32%	34%	-

# Sustainability Statement

Performance Data Table (Cont'd)

Indicator	Unit	2023	2022	2021	Target
<b>Diversity</b>					
<b>Age Group by Employee Category</b>					
Executive and Supervisory (35-45)	Percentage	27%	33%	32%	-
Executive and Supervisory (45-60)	Percentage	35%	28%	27%	-
Executive and Supervisory (above 60)	Percentage	3%	3%	3%	-
Non-executive (below 25)	Percentage	19%	20%	20%	-
Non-executive (25-35)	Percentage	42%	42%	40%	-
Non-executive (35-45)	Percentage	25%	23%	25%	-
Non-executive (45-60)	Percentage	12%	12%	13%	-
Non-executive (above 60)	Percentage	2%	2%	2%	-
<b>Gender Group by Employee Category</b>					
Managerial and above Male	Percentage	66%	69%	71%	-
Managerial and above Female	Percentage	34%	31%	29%	-
Executive and Supervisory Male	Percentage	43%	42%	45%	-
Executive and Supervisory Female	Percentage	57%	58%	55%	-
Non-executive Male	Percentage	85%	84%	80%	-
Non-executive Female	Percentage	15%	16%	20%	-
<b>Bursa C3(b) Percentage of directors by gender and age group</b>					
- Male	Percentage	87.5%	87.5%	87.5%	-
- Female	Percentage	12.5%	12.5%	12.5%	-
- Under 40	Percentage	0.0%	0.0%	0.0%	-
- 40-50	Percentage	12.5%	0.0%	0.0%	-
- 50-60	Percentage	50.0%	62.5%	62.5%	-
- Above 60	Percentage	37.5%	37.5%	37.5%	-
<b>Energy Management</b>					
Bursa C4(a) Total energy consumption	Megawatt	10,433	-	-	-

# Sustainability Statement

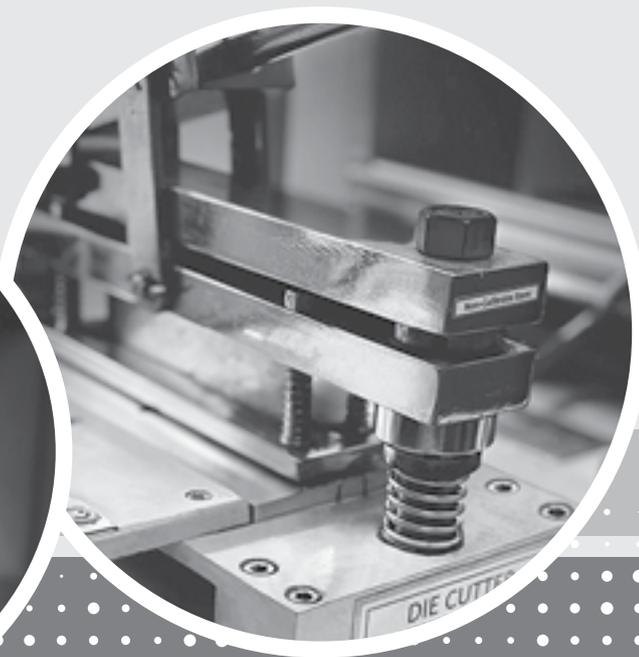
**Performance Data Table** (Cont'd)

Indicator	Unit	2023	2022	2021	Target
<b>Health and Safety</b>					
Bursa C5(a) Number of work-related fatalities	Number	0	0	0	Zero fatality annually
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	4.03	6.12	10.32	-
Bursa C5(c) Number of employees trained on health and safety standards	Number	538	514	282	100% of employees to receive training in Safety and Health
<b>Labour Practices and Standards</b>					
Bursa C6(a) Total hours of training by employee category					
- Managerial and above	Hours	1,083	484	244	Average 15 hours of training per employee per year
- Non-Managerial	Hours	10,836	14,644	4,817	Average 15 hours of training per employee per year
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	10%	10%	5%	-
Bursa C6(c) Total number of employee turnover by employee category					
- Managerial and above	Number	0	0	0	-
- Executive and Supervisory	Number	10	21	7	-
- Non-Executive	Number	141	209	266	-
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0	-
<b>Supply Chain Management</b>					
Bursa C7(a) Proportion of spending on local suppliers	Percentage	89%	82%	-	-
<b>Data Privacy and Security</b>					
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0	Zero complaints concerning breaches of customer privacy and losses of customer data
<b>Water</b>					
Bursa C9(a) Total volume of water used	Megalitres	53.85	88.61	63.22	Lower than 0.7 cubic metre (m <sup>3</sup> ) of total water consumption per metric tonne of production output

# Financial Statements

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<b>112</b>	.....	Directors' Report
<b>119</b>	.....	Statement by Directors
<b>119</b>	.....	Statutory Declaration
<b>120</b>	.....	Independent Auditors' Report
<b>124</b>	.....	Statements of Profit or loss and other Comprehensive Income
<b>125</b>	.....	Statements of Financial Position
<b>127</b>	.....	Statements of Changes In Equity
<b>129</b>	.....	Statements of Cash Flows
<b>131</b>	.....	Notes to the Financial Statements



# Directors' Report

## Directors

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 2023.

## Principal activities

The Company is principally engaged in the business of investment holding.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company are set out in the "Subsidiaries" of this report.

There have been no significant changes in the nature of these principal activities during the financial year.

## Results

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Profit after taxation for the financial year	<u>6,517</u>	<u>289</u>
Attributable to:		
Owners of the Company	6,567	289
Non-controlling interest	<u>(50)</u>	<u>-</u>
	<u>6,517</u>	<u>289</u>

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.

## Dividends

Dividends paid or declared by the Company since 31 December 2022 was as follows:

	<b>RM'000</b>
<u>In respect of the financial year ended 31 December 2022</u>	
Final single tier dividend of 1 sen per ordinary share, declared on 23 February 2023 and paid on 19 May 2023	<u>742</u>

The Company declared a final single tier dividend of 2 sen per ordinary share in respect of the current financial year 31 December 2023 to be paid on 20 May 2024 to shareholders whose names appeared in the records of depositors on 3 May 2024. 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 the financial year ending 31 December 2024.

# Directors' 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  
Tan Chin Hwee  
Ang Kwee Teng (Appointed on 1.6.2023)  
Lim Joo Song (Appointed on 1.6.2023)  
Lim Kit Ming (Appointed on 1.6.2023)  
Sean Ne Teo (Appointed on 1.6.2023)  
Datuk Adillah binti Ahmad Nordin (Resigned on 31.5.2023)  
Siow Kee Yen (Retired on 31.5.2023)

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:-

The Company	Number of ordinary shares			
	At 1.1.2023/ Date of appointment	Bought	Sold	At 31.12.2023
<i>Direct interest</i>				
Sai Han Siong	15,000	-	-	15,000
Sai Ah Sai	120,000	-	-	120,000
<i>Indirect interest</i>				
Sai Chin Hock #	37,885,219	-	-	37,885,219
Sai Han Siong #	38,467,543	-	-	38,467,543
Sai Ah Sai #	39,532,043	-	-	39,532,043
Lim Joo Song #	292,000	-	-	292,000

# Deemed interested by virtue of shares held by companies in which the respective directors have significant interest 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 directors 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.

# Directors' Report

## Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in "Directors' Remuneration" of this report) 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 except for any benefits which may be deemed to arise from the following transactions:-

	The Group RM'000	The Company RM'000
<b>Subsidiaries</b>		
Dividends received from subsidiaries	-	(1,271)
<b>Companies in which certain directors have substantial financial interests</b>		
Lease expenses	640	-
Sales of goods	(10,890)	-
Purchase of goods	373	-
<b>A company in which close family members of certain directors have substantial interest</b>		
Repair and maintenance	8	-
Purchase of property, plant and equipment	637	-
<b>Companies in which close family members of certain directors have significant influence</b>		
Sales of goods	(642)	-
Purchase of goods	15,949	-

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 as follows:-

	The Group RM'000	The Company RM'000
Fees	200	200
Salaries, bonuses and other benefits	2,603	19
Defined contribution benefits	216	-
	<u>3,019</u>	<u>219</u>

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company was approximately RM63,000.

# Directors' Report

## 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 2023, 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.

## 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.

## Subsidiaries

The details of the Company's subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent	Principal Activities
<i>Subsidiaries of the Company</i>			
Ornapaper Industry (M) Sdn. Bhd.	Malaysia	100%	Manufacturing and sale of corrugated boards and carton boxes
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Malaysia	100%	Manufacturing and sale of corrugated boards and carton boxes

# Directors' Report

## Subsidiaries (continued)

The details of the Company's subsidiaries are as follows (continued):-

Name of Subsidiary	Country of Incorporation	Percentage of Issued Share Capital Held by Parent	Principal Activities
<i>Subsidiaries of the Company</i>			
Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100%	Manufacturing and sale of corrugated boards and carton boxes
Quantum Rhythm Sdn. Bhd.	Malaysia	100%	Manufacturing of paper based stationery products
Tripack Packaging (M) Sdn. Bhd.	Malaysia	100%	Manufacturing and sale of carton boxes
Ornapaper Industry (Johor) Sdn. Bhd.	Malaysia	80%	Manufacturing and sale of carton boxes
<i>Subsidiary of Ornapaper Industry (M) Sdn. Bhd.</i>			
Ornapaper Logistics Sdn. Bhd.	Malaysia	100%	Transportation service

The available auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

## Other statutory information

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

# Directors' Report

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## Other statutory information (continued)

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

A wholly-owned subsidiary of the Company, Ornapaper Industry (M) Sdn. Bhd. had on 20 July 2023 entered into two Sales and Purchase Agreements ("SPAs") with Faithview Group Development Sdn. Bhd. to acquire two pieces of leasehold vacant lands as follows:-

- (i) PN 67963, Lot 23933 (previously known as HS(D) 85476, PT 12084), Mukim Krubong, Daerah Melaka Tengah, Negeri Melaka measuring approximately 6.144 hectares in land area for a consideration of RM18,516,967.
- (ii) PN 67964, Lot 23934 (previously known as HS(D) 85477, PT 12085), Mukim Krubong, Daerah Melaka Tengah, Negeri Melaka measuring approximately 4.059 hectares in land area for a consideration of RM12,233,133.

The above acquisitions were completed on 2 February 2024.

# Directors' Report

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## Auditors

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

The details of the auditors' remuneration of the Group and of the Company for the financial year were as follows:-

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Audit fees	228	45
Non-audit fees	5	5
	<u>233</u>	<u>50</u>

Signed in accordance with a resolution of the directors dated 22 April 2024.

**Sai Han Siong**

**Sai Chin Hock**

# Statement by Directors

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## 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 124 to 182 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 2023 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 22 April 2024

**Sai Han Siong**

**Sai Chin Hock**

## 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 124 to 182 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 22 April 2024

**Sai Han Siong**

Before me,

SHAHRIZAH BINTI YAHYA (NO. M084)  
Commissioner for Oaths

# Independent Auditors' Report

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## 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 2023 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 material accounting policy information, as set out on pages 124 to 182.

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 2023, 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	How our audit addressed the key audit matter
<p>Revenue Recognition (Refer to Page 139, Note 4 to the financial statements)</p> <p>Consolidated revenue recorded by the Group during the year amounted to approximately RM278 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.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• testing the operating effectiveness of internal control over the completeness, accuracy, and timing of revenue recognised in the financial statements;</li> <li>• reviewing the terms of material sales contracts and purchase order from customers to determine the point of control transfer to the customers on a sampling basis;</li> <li>• testing the recording of sales transactions, revenue cut-off and review of credit notes after year end; and</li> <li>• 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.</li> </ul>

## 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

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## 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 of 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

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## **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.

## **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

Melaka

22 April 2024

**Chin Siew Choo**  
03720/03/2025 J  
Chartered Accountant

# Statements of Profit or Loss and other Comprehensive Income

For the financial year ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
Revenue	4	278,422	328,925	1,271	1,718
Cost of goods sold		(242,297)	(295,340)	-	-
Gross profit		36,125	33,585	1,271	1,718
Other income	5	2,287	2,884	83	51
Administrative expenses		(17,403)	(16,820)	(410)	(471)
Selling and marketing expenses		(3,819)	(4,309)	-	-
Other expenses		(5,987)	(7,467)	(650)	(1,239)
Operating profit		11,203	7,873	294	59
Finance costs	6	(2,950)	(2,822)	-	-
Net impairment losses on financial assets	7	(675)	(796)	-	-
Profit before taxation	8	7,578	4,255	294	59
Income tax expense	10	(1,061)	(1,648)	(5)	(10)
Profit after taxation		6,517	2,607	289	49
Other comprehensive income		-	-	-	-
Total comprehensive income		6,517	2,607	289	49
Profit after taxation attributable to:					
Owners of the Company		6,567	2,476	289	49
Non-controlling interest		(50)	131	-	-
		6,517	2,607	289	49
Total comprehensive income attributable to:					
Owners of the Company		6,567	2,476	289	49
Non-controlling interest		(50)	131	-	-
		6,517	2,607	289	49
Earnings per share attributable to owners of the Company (sen)					
Basic	11	8.9	3.3		
Diluted	11	8.9	3.3		

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

# Statements of Financial Position

As at 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	100,796	105,262	-	-
Right-of-use assets	13	17,884	17,977	-	-
Investment in subsidiaries	14	-	-	96,116	96,708
Goodwill	15	1,633	1,633	-	-
		<u>120,313</u>	<u>124,872</u>	<u>96,116</u>	<u>96,708</u>
<b>Current assets</b>					
Inventories	16	50,975	60,348	-	-
Right of return assets	17	56	195	-	-
Trade receivables	18	58,735	66,760	-	-
Other receivables, deposits and prepayments	19	9,489	5,412	1,013	955
Current tax assets		2,782	2,728	6	3
Derivative assets	20	37	-	-	-
Deposits with licensed banks	21	4,659	4,542	3,414	3,328
Cash and bank balances		60,751	46,896	445	448
		<u>187,484</u>	<u>186,881</u>	<u>4,878</u>	<u>4,734</u>
<b>Total assets</b>		<u>307,797</u>	<u>311,753</u>	<u>100,994</u>	<u>101,442</u>
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	22(a)	86,407	86,407	86,407	86,407
Treasury shares	22(b)	(541)	(541)	(541)	(541)
Retained earnings		111,119	105,294	15,073	15,526
		<u>196,985</u>	<u>191,160</u>	<u>100,939</u>	<u>101,392</u>
Non-controlling interest	14	1,687	1,804	-	-
<b>Total equity</b>		<u>198,672</u>	<u>192,964</u>	<u>100,939</u>	<u>101,392</u>
<b>Non-current liabilities</b>					
Loans and borrowings	23	14,684	14,297	-	-
Lease liabilities	24	332	831	-	-
Deferred tax liabilities	25	10,256	10,645	-	-
		<u>25,272</u>	<u>25,773</u>	<u>-</u>	<u>-</u>

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

## Statements of Financial Position

As at 31 December 2023 (continued)

	Note	Group		Company	
		2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
<b>Current liabilities</b>					
Trade payables	26	18,193	14,796	-	-
Other payables and accruals	27	12,794	12,684	55	50
Refund liabilities	17	406	570	-	-
Loans and borrowings	23	49,894	62,488	-	-
Bank overdrafts	28	1,652	1,554	-	-
Lease liabilities	24	914	918	-	-
Derivative liabilities	20	-	6	-	-
		<u>83,853</u>	<u>93,016</u>	<u>55</u>	<u>50</u>
<b>Total liabilities</b>		<u>109,125</u>	<u>118,789</u>	<u>55</u>	<u>50</u>
<b>Total equity and liabilities</b>		<u>307,797</u>	<u>311,753</u>	<u>100,994</u>	<u>101,442</u>

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

# Statements of Changes in Equity

For the financial year ended 31 December 2023

Group	Note	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
<b>Balance at 1 January 2022</b>		86,407	(541)	104,301	190,167	1,741	191,908
Profit after taxation representing total comprehensive income for the financial year		-	-	2,476	2,476	131	2,607
Contributions by and distributions to owners of the Company:							
- Dividends:							
- by the Company	29	-	-	(1,483)	(1,483)	-	(1,483)
- by subsidiary to non-controlling interest		-	-	-	-	(68)	(68)
		-	-	(1,483)	(1,483)	(68)	(1,551)
<b>Balance at 31 December 2022 / 1 January 2023</b>		86,407	(541)	105,294	191,160	1,804	192,964
Profit after taxation representing total comprehensive income for the financial year		-	-	6,567	6,567	(50)	6,517
Contributions by and distributions to owners of the Company:							
- Dividends:							
- by the Company	29	-	-	(742)	(742)	-	(742)
- by subsidiary to non-controlling interest		-	-	-	-	(67)	(67)
		-	-	(742)	(742)	(67)	(809)
<b>Balance at 31 December 2023</b>		86,407	(541)	111,119	196,985	1,687	198,672

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

# Statements of Changes in Equity

For the financial year ended 31 December 2023 (continued)

Company	Note	Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
<b>Balance at 1 January 2022</b>		86,407	(541)	16,960	102,826
Profit after taxation representing total comprehensive income for the financial year		-	-	49	49
Dividend	29	-	-	(1,483)	(1,483)
<b>Balance at 31 December 2022/1 January 2023</b>		86,407	(541)	15,526	101,392
Profit after taxation representing total comprehensive income for the financial year		-	-	289	289
Dividend	29	-	-	(742)	(742)
<b>Balance at 31 December 2023</b>		86,407	(541)	15,073	100,939

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

# Statements of Cash Flows

For the financial year ended 31 December 2023

	Group		Company	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
<b>Operating activities</b>				
Profit before taxation	7,578	4,255	294	59
Adjustments for:				
Bad debts written off	-	18	-	-
Deposit written off	-	10	-	-
Depreciation and amortisation:				
- Property, plant and equipment	14,243	14,533	-	-
- Right-of-use assets	1,326	1,872	-	-
Effect of changes on lease termination	(1)	(15)	-	-
Fair value changes on derivatives	(43)	9	-	-
Gain on disposal of property, plant and equipment	(134)	(330)	-	-
Property, plant and equipment written off	-	9	-	-
Inventories written down	147	2	-	-
Impairment losses on investment in a subsidiary	-	-	592	1,141
Impairment losses on property, plant and equipment	-	760	-	-
Impairment losses on trade receivables	719	964	-	-
Reversal of impairment losses on:				
- Trade receivables	(44)	(56)	-	-
- Other receivables	-	(112)	-	-
Unrealised (gain)/loss on foreign exchange	(6)	14	-	-
Other interest expense	2,519	2,187	-	-
Interest expense on lease liabilities	56	85	-	-
Interest income	(1,013)	(834)	(83)	(51)
	17,769	19,116	509	1,090
<b>Operating cash flows before changes in working capital</b>	25,347	23,371	803	1,149
Decrease in inventories and right of return assets	9,365	7,429	-	-
Decrease/(Increase) in trade and other receivables	6,604	10,982	(58)	192
Decrease in refund liabilities	(164)	(32)	-	-
Increase/(Decrease) in trade and other payables	4,121	(15,534)	5	5
	19,926	2,845	(53)	197
<b>Cash from operations</b>	45,273	26,216	750	1,346
Income tax paid	(1,504)	(2,686)	(8)	(10)
<b>Net cash from operating activities</b>	43,769	23,530	742	1,336

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

# Statements of Cash Flows

For the financial year ended 31 December 2023 (continued)

	Note	Group		Company	
		2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
<b>Cash flows (for)/from investing activities</b>					
Purchase of property, plant and equipment	30(a)	(12,634)	(27,707)	-	-
Purchase of right-of-use asset	30(b)	(741)	(3,555)	-	-
Interest received		1,013	834	83	51
Proceeds from disposal of property, plant and equipment		151	500	-	-
Placement of fixed deposits with tenure more than 3 months		(24)	(15)	(24)	(15)
<b>Net cash (for)/from investing activities</b>		<b>(12,235)</b>	<b>(29,943)</b>	<b>59</b>	<b>36</b>
<b>Cash flow for financing activities</b>					
Interest paid	30(e)	(2,575)	(2,272)	-	-
Dividends paid		(742)	(1,483)	(742)	(1,483)
Dividend paid to non-controlling interest		(67)	(68)	-	-
Drawdown of term loans	30(e)	1,105	12,237	-	-
Net repayment of bankers' acceptances	30(e)	(12,034)	(4,742)	-	-
Repayment of term loans	30(e)	(1,153)	(1,343)	-	-
Repayment of lease liabilities	30(e)	(994)	(1,389)	-	-
Net drawdown/(repayment) of charge card	30(e)	222	(23)	-	-
Repayment of hire purchase payables	30(e)	(1,452)	(2,104)	-	-
Additions to pledged fixed deposits		(93)	(52)	(62)	(29)
<b>Net cash for financing activities</b>		<b>(17,783)</b>	<b>(1,239)</b>	<b>(804)</b>	<b>(1,512)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,751</b>	<b>(7,652)</b>	<b>(3)</b>	<b>(140)</b>
Effect of exchange rate changes on cash and cash equivalents		6	(14)	-	-
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>45,342</b>	<b>53,008</b>	<b>448</b>	<b>588</b>
<b>Cash and cash equivalents at end of the financial year</b>	30(c)	<b>59,099</b>	<b>45,342</b>	<b>445</b>	<b>448</b>

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

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## 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 registered office and principal place of business are as follows:-

Registered office : No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda  
75400 Melaka

Principal place of business : No. 8998, Kawasan Perindustrian Peringkat IV  
Batu Berendam, 75350 Melaka

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

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, unless otherwise stated.

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 22 April 2024.

## 2. Basis of preparation

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

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# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 2. Basis of preparation (continued)

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

### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

Amendments to MFRS 101: Disclosure of Accounting Policies  
Amendments to MFRS 108: Definition of Accounting Estimates  
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction  
Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the financial statements of the Group and of the Company except as follows:-

#### Amendments to MFRS 101: Disclosure of Accounting Policies

The Amendments to MFRS 101 'Disclosure of Accounting Policies' did not result in any changes to the existing accounting policies of the Group and of the Company. However, the amendments require the disclosure of 'material' rather than 'significant' accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about the material accounting policy disclosures. The Group and the Company have made updates to the accounting policies presented in Note 3 to the financial statements in line with the amendments.

- 2.2 The Group and the Company have 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)**

	<b>Effective Date</b>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

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 and of the Company upon their initial application.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

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## 3. Material accounting policy information

### 3.1 Critical accounting estimates and judgements

#### *Key sources of estimation uncertainty*

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.

#### (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 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

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## 3. Material accounting policy information (continued)

### 3.1 Critical accounting estimates and judgements (continued)

*Key sources of estimation uncertainty (continued)*

#### (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.

#### (f) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise 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.

#### (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.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. Material accounting policy information (continued)

### 3.1 Critical accounting estimates and judgements (continued)

#### *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).

### 3.2 Financial instruments

#### (a) Financial assets

##### Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

##### Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

#### (b) Financial liabilities

##### Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

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## 3. Material accounting policy information (continued)

### 3.2 Financial instruments (continued)

#### (c) Equity

##### Ordinary shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

##### Treasury Shares

Treasury shares are recorded on initial recognition at the consideration paid less directly attributable transaction costs incurred. The treasury shares are not remeasured subsequently.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the treasury shares. If such shares are issued by resale, any difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity. Where treasury shares are cancelled, their carrying amounts are shown as a movement in retained profits.

#### (d) Derivatives

Derivatives are initially measured at fair value. Subsequent to the initial recognition, the derivatives are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss.

#### (e) Financial Guarantee Contracts

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to the initial recognition, the 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 Company, as the issuer, is required to reimburse the holder for the associated loss, the reimbursement is recognised as a liability and measured at the higher of the amount of loss allowance determined using the expected credit loss model and the amount of financial guarantee initially recognised less cumulative amortisation.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. Material accounting policy information (continued)

### 3.3 Goodwill

Goodwill is initially measured at cost. Subsequent to the initial recognition, the goodwill is measured at cost less accumulated impairment losses, if any. A bargain purchase gain is recognised in profit or loss immediately.

### 3.4 Investments in subsidiaries

Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

### 3.5 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost.

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

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates are:-

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

Asset-in-progress represent factory buildings under construction and production machinery under installation. They are not depreciated as these assets are not yet available for use.

### 3.6 Right-of-use assets and lease liabilities

#### (a) Short-term Leases and Leases of Low-value Assets

The Group applies the "short-term lease" and "lease of low-value assets" recognition exemption. 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 appropriate.

#### (b) Right-of-use Assets

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

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## 3. Material accounting policy information (continued)

### 3.6 Right-of-use assets and lease liabilities (continued)

#### (c) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

### 3.7 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 cost of purchase, cost of conversion plus other costs 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.

### 3.8 Revenue from contracts with customers

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales 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 the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

#### (a) Sale of goods

Revenue is recognised at a point in time when the goods have been delivered to the customer and upon its acceptance, and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the goods sold.

#### (b) Transportation fees

Transportation fees are recognised when services are rendered.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 4. Revenue

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Revenue from contracts with customers:</b>				
<u>Recognised at a point in time</u>				
Sale of goods	277,839	328,262	-	-
Transportation fees	583	663	-	-
<b>Revenue from other sources:</b>				
Dividend income from subsidiaries	-	-	1,271	1,718
	<u>278,422</u>	<u>328,925</u>	<u>1,271</u>	<u>1,718</u>

- (a) The information on the disaggregation of revenue from contracts with customers are disclosed below:

	Group			Total RM'000
	Corrugated board and carton RM'000	Paper stationery product RM'000	Transportation service RM'000	
<b>2023</b>				
<u>Revenue recognised at a point in time</u>				
Paper industry	58,301	20,111	-	78,412
Furniture, rubber, hardware and steel	67,775	-	-	67,775
Food based and beverage	70,243	-	-	70,243
Electronic and electrical	26,258	-	-	26,258
Others	35,151	-	583	35,734
	<u>257,728</u>	<u>20,111</u>	<u>583</u>	<u>278,422</u>
<b>2022</b>				
<u>Revenue recognised at a point in time</u>				
Paper industry	71,261	19,967	-	91,228
Furniture, rubber, hardware and steel	85,677	-	-	85,677
Food based and beverage	76,675	-	-	76,675
Electronic and electrical	36,655	-	-	36,655
Others	38,027	-	663	38,690
	<u>308,295</u>	<u>19,967</u>	<u>663</u>	<u>328,925</u>

- (b) The information on the disaggregation of revenue by geographical market is disclosed in Note 34 to the financial statements.

- (c) The information of the revenue from other sources is summarised below:-

### Dividend Income

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 5. Other income

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Gain on disposal of property, plant and equipment	134	330	-	-
Effect of changes on lease termination	1	15	-	-
Fair value gain on derivatives	43	-	-	-
Insurance claims	228	150	-	-
Interest income measured at amortised cost:				
- bank balances	928	782	1	51
- deposits with licensed banks	85	52	82	-
Realised gain on foreign exchange	137	334	-	-
Unrealised gain on foreign exchange	6	2	-	-
Sales of scrap materials	340	500	-	-
Lease income:				
- right-of-use assets	139	112	-	-
Wages subsidy received	6	433	-	-
Miscellaneous	240	174	-	-
	<u>2,287</u>	<u>2,884</u>	<u>83</u>	<u>51</u>

## 6. Finance costs

	Group	
	2023 RM'000	2022 RM'000
Bankers' acceptances commission	374	549
Commitment fee	1	1
Interest expense on financial liabilities that are not at fair value through profit or loss:		
- bank overdrafts interest	70	48
- bankers' acceptances interest	1,649	1,543
- term loans interest	580	310
- hire purchase interest	220	286
Interest expense on lease liabilities (Note 24)	56	85
	<u>2,950</u>	<u>2,822</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 7. Net impairment losses on financial assets

	Group	
	2023 RM'000	2022 RM'000
Impairment losses on:		
- trade receivables (Note 18)	719	964
Reversal of impairment losses on:		
- trade receivables (Note 18)	(44)	(56)
- other receivables (Note 19)	-	(112)
	<u>675</u>	<u>796</u>

## 8. Profit before taxation

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation is arrived at after charging:-				
Auditors' remuneration:				
- Audit fees				
- auditor of the Company				
- Current year	228	153	45	45
- other auditors				
- Current year	-	61	-	-
- Underprovision in prior year	3	1	-	-
- Non-audit fees				
- auditor of the Company	5	5	5	5
- member firm of auditors of the Company	109	36	10	3
- other auditors	13	18	-	-
Bad debts written off	-	18	-	-
Carriage inwards and outwards	12,406	12,921	-	-
Depreciation:				
- Property, plant and equipment (Note 12)	14,243	14,533	-	-
- Right-of-use assets (Note 13)	1,326	1,872	-	-
Deposit written off	-	10	-	-
Directors' remuneration (Note 32(a))	3,915	3,332	219	198
Employee benefits expense (Note 9)	34,619	34,882	-	-
Fair value changes on derivatives	-	9	-	-

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 8. Profit before taxation (continued)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation is arrived at after charging (continued):-				
Impairment losses:				
- investment in a subsidiary	-	-	592	1,141
- property, plant and equipment (Note 12)	-	760	-	-
Inventories written down	147	2	-	-
Lease expense:				
- Short-term lease	667	578	-	-
- Low-value assets	40	31	-	-
Property, plant and equipment written off	-	9	-	-
Realised loss on foreign exchange	36	4	-	-
Unrealised loss on foreign exchange	-	16	-	-
	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>

## 9. Employee benefits expense

	Group	
	2023 RM'000	2022 RM'000
Short-term employee benefits	31,543	31,665
Defined contributions benefits	2,658	2,706
Other benefits	418	511
Total employee benefits expense (Note 8)	<u>34,619</u>	<u>34,882</u>

Included in employee benefits expense of the Group are key management personnel compensation amounting to RM1,031,000 (2022: RM1,318,000) as further disclosed in Note 32(b) to the financial statements.

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# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 10. Income tax expense

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Income tax:				
- Current year	1,850	1,543	5	10
- Over provision in previous financial year	(400)	(92)	-	-
	<u>1,450</u>	<u>1,451</u>	<u>5</u>	<u>10</u>
Deferred tax (Note 25):				
- Origination and reversal of temporary differences	(288)	137	-	-
- (Over)/Under provision in previous financial year	(101)	60	-	-
	<u>(389)</u>	<u>197</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>1,061</u>	<u>1,648</u>	<u>5</u>	<u>10</u>

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax	<u>7,578</u>	<u>4,255</u>	<u>294</u>	<u>59</u>
Taxation at 24% (2022: 24%)	1,819	1,021	71	14
Tax effect of:				
- Non-deductible expenses	416	397	239	408
- Non-taxable income	(52)	-	(305)	(412)
Deferred tax assets not recognised during the financial year	303	262	-	-
Utilisation of tax incentives	(924)	-	-	-
(Over)/Under provision in previous financial year				
- Income tax	(400)	(92)	-	-
- Deferred tax	(101)	60	-	-
Income tax expense recognised in profit or loss	<u>1,061</u>	<u>1,648</u>	<u>5</u>	<u>10</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 10. Income tax expense (continued)

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

	Group	
	2023 RM'000	2022* RM'000
Unused tax losses		
- expires year of assessment 2028	367	367
- expires year of assessment 2030	483	483
- expires year of assessment 2031	1,190	1,190
- expires year of assessment 2033	823	-
Unabsorbed capital allowances	3,889	2,622
	<u>6,752</u>	<u>4,662</u>

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	
	2023 RM'000	2022* RM'000
Unabsorbed capital allowances	2,921	2,460
Unused tax losses	2,863	2,040
Other temporary differences	4,421	4,443
	<u>10,205</u>	<u>8,943</u>

\* Certain comparative figures have been restated to reflect the revised tax losses carry-forward and other temporary differences available to the Group.

Based on the current legislation, the unused tax losses up to the year of assessment 2018 can be carried forward until the year of assessment 2028 and the unused tax losses for 2019 onwards are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment; whereas, the unabsorbed capital allowances are allowed to be carried forward indefinitely.

## 11. Earnings per share

	Group	
	2023	2022
Profit attributable to owners of the parent (RM'000)	<u>6,567</u>	<u>2,476</u>
Weighted average number of ordinary shares in issue ('000)*	<u>74,153</u>	<u>74,153</u>
Basic earnings per share (sen)	<u>8.9</u>	<u>3.3</u>
Diluted earnings per share (sen) #	<u>8.9</u>	<u>3.3</u>

\* 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. Property, plant and equipment

	2023				2022									
	At 1.1.2023 RM'000	Additions (Note 30(a)) RM'000	Disposals RM'000	Reclassification RM'000	Depreciation charges (Note 8) RM'000	At 31.12.2023 RM'000	At 1.1.2022 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 31.12.2022 RM'000
<b>The Group</b>														
<i>Carrying amount</i>														
Freehold land	2,712	-	-	-	-	2,712	-	-	-	-	-	-	-	2,712
Factory buildings	34,816	1,755	-	185	(1,494)	35,262	27,907	7,804	-	-	-	-	(1,410)	34,816
Plant and machinery	49,699	4,649	-	11,548	(11,113)	54,783	51,751	6,659	(149)	(9)	3,714	(760)	(11,507)	49,699
Other assets	6,375	1,355	(17)	-	(1,636)	6,077	4,946	3,066	(21)	-	-	-	(1,616)	6,375
Assets in progress	11,660	2,035	-	(11,733)	-	1,962	4,230	11,659	-	-	(4,229)	-	-	11,660
	105,262	9,794	(17)	-	(14,243)	100,796	88,834	31,900	(170)	(9)	-	(760)	(14,533)	105,262

## Notes to the Financial Statements

For the financial year ended 31 December 2023

### 12. Property, plant and equipment (continued)

	At cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
<b>The Group</b>				
<b>2023</b>				
Freehold land	2,712	-	-	2,712
Factory buildings	60,735	(25,473)	-	35,262
Plant and machinery	189,678	(131,091)	(3,804)	54,783
Other assets	20,813	(14,736)	-	6,077
Assets in progress	1,962	-	-	1,962
	<u>275,900</u>	<u>(171,300)</u>	<u>(3,804)</u>	<u>100,796</u>

	At cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
<b>The Group</b>				
<b>2022</b>				
Freehold land	2,712	-	-	2,712
Factory buildings	58,795	(23,979)	-	34,816
Plant and machinery	174,219	(120,716)	(3,804)	49,699
Other assets	19,913	(13,538)	-	6,375
Assets in progress	11,660	-	-	11,660
	<u>267,299</u>	<u>(158,233)</u>	<u>(3,804)</u>	<u>105,262</u>

- (a) The freehold land, factory buildings and certain plant and machinery are pledged as securities for bank borrowings granted to the Group as disclosed in Note 23 to the financial statements.
- (b) Included in the property, plant and equipment of the Group were plant and machinery and motor vehicles held under hire purchase arrangements with a total carrying amount of RM7,551,000 and RM1,182,000 (2022 - RM7,331,000 and RM1,774,000) respectively. These assets have had been pledged as security for the hire purchase payables of the Group as disclosed in Note 23 to the financial statements.
- (c) 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, staff quarter and solar photovoltaic system.
- (d) In the previous financial year, an impairment loss of RM760,000, 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 8.03%.
- (e) 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 2023

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

(a) The Group leases certain pieces of leasehold land and various hostels of which the leasing activities are summarised as below:-

- |      |                |                                                                                                                                                                                   |
|------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i)  | Leasehold land | The Group has entered into a number of non-cancellable operating lease agreement for the use of land. The leases are for a period ranges between 60 to 99 (2022: 60 to 99) years. |
| (ii) | Hostels        | The Group has leased a number of hostels that run between 1 to 5 (2022: 1 to 7) years, with an option to renew the lease after that date.                                         |

(b) The leasehold land are pledged to secure bank borrowings as disclosed in Note 23 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.

## 14. Investment in subsidiaries

	Company	
	2023 RM'000	2022 RM'000
Unquoted shares, at cost	103,659	103,659
Accumulated impairment losses	(7,543)	(6,951)
	96,116	96,708
Accumulated impairment losses:-		
At 1 January	6,951	5,810
Addition during the financial year	592	1,141
At 31 December	7,543	6,951

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business and country of incorporation	Percentage of issued share capital held by Parent		Principal activities
		2023	2022	
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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 14. Investment in subsidiaries (continued)

The details of the subsidiaries are as follows (continued):-

Name of subsidiary	Principal place of business and country of incorporation	Percentage of issued share capital held by Parent		Principal activities
		2023	2022	
Ornapaper Industry (Perak) Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and sale of corrugated boards and carton boxes
Quantum Rhythm Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of paper based stationery products
Tripack Packaging (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and sale of carton boxes
Ornapaper Industry (Johor) Sdn. Bhd.	Malaysia	80%	80%	Manufacturing and sale of carton boxes

### Subsidiary of Ornapaper Industry (M) Sdn. Bhd.

Ornapaper Logistics Sdn. Bhd.	Malaysia	100%	100%	Transportation service
-------------------------------	----------	------	------	------------------------

(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 RM592,000 (2022 : RM1,141,000), 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 comprises the following:-

	Effective equity interest		Group	
	2023	2022	2023	2022
	%	%	RM'000	RM'000
Ornapaper Industry (Johor) Sdn. Bhd.	20	20	1,687	1,804

(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 2023

## 15. Goodwill

	Group	
	2023 RM'000	2022 RM'000
Goodwill	1,633	1,633

The carrying amount of goodwill allocated to each cash-generating unit are as follows:-

	Group	
	2023 RM'000	2022 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		OIJ	
	2023	2022	2023	2022
Budgeted gross margins	13%	11%	11%	12%
Discount rates (pre-tax)	7%	8%	7%	8%

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 rates (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 believe 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 16. Inventories

	Group	
	2023 RM'000	2022 RM'000 (Restated)
Raw materials and consumables	41,271	49,755
Work-in-progress	1,941	1,881
Finished goods	7,487	8,532
Goods-in-transit	1,244	1,001
	<u>51,943</u>	<u>61,169</u>
Less: Allowance for impairment losses	(968)	(821)
	<u>50,975</u>	<u>60,348</u>

The amount of inventories recognised as an expense in cost of sales was RM213,312,000 (2022 - RM272,076,000).

## 17. Right of return assets/(Refund liabilities)

	Group	
	2023 RM'000	2022 RM'000
Right of return assets	<u>56</u>	<u>195</u>
Refund liabilities		
- arising from right of return assets	(134)	(324)
- arising from discounts	(272)	(246)
	<u>(406)</u>	<u>(570)</u>

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 18. Trade receivables

	Group	
	2023 RM'000	2022 RM'000
Third parties	56,608	64,300
Companies in which a director has substantial financial interest	4,424	4,021
Company in which close family members of certain directors have significant influence	26	102
	<u>61,058</u>	<u>68,423</u>
Allowance for impairment losses:-		
At 1 January	1,663	817
Addition during the financial year (Note 7)	719	964
Reversal during the financial year (Note 7)	(44)	(56)
Written off during the financial year	(15)	(62)
	<u>2,323</u>	<u>1,663</u>
At 31 December	<u>58,735</u>	<u>66,760</u>

The Group's normal trade credit terms range from 30 to 150 (2022 - 30 to 150) days.

## 19. Other receivables, deposits and prepayments

	Group		Company	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
Other receivables:-				
Third parties	173	328	9	13
Payments to supplier of property, plant and equipment	6,602	3,271	-	-
Dividend receivables	-	-	1,000	938
GST receivables	3	3	2	2
Interest receivable	1	1	-	-
	<u>6,779</u>	<u>3,603</u>	<u>1,011</u>	<u>953</u>
Sundry deposits	502	367	2	2
Prepayments	2,208	1,442	-	-
	<u>9,489</u>	<u>5,412</u>	<u>1,013</u>	<u>955</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 19. Other receivables, deposits and prepayments (continued)

	Group	
	2023 RM'000	2022 RM'000
Allowance for impairment losses:-		
At 1 January	-	112
Reversal during the financial year (Note 7)	-	(112)
At 31 December	-	-

The payments to suppliers will be offset against future purchases from the suppliers.

## 20. Derivative assets/(liabilities)

	Contract/Notional Amount		Group	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Derivative Assets</b>				
Forward currency contracts	2,965	-	37	-
<b>Derivative Liabilities</b>				
Forward currency contracts	-	1,106	-	(6)

The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's purchases and sales 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 3 (2022: 2 to 3) months after the end of the reporting period.

## 21. 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 2.00% to 2.80% and 2.00% to 2.75% (2022: 1.46% to 2.35% and 1.25% to 2.20%) per annum respectively. The deposits of the Group and of the Company have maturity periods range from 5 to 12 (2022: 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 RM3,429,000 and RM2,184,000 (2022: of RM3,336,000 and RM2,122,000) respectively, which have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 23 and 28 to the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 22. Share capital and treasury shares

### (a) Share capital

	Group/Company			
	2023 Number of ordinary shares '000	2022 Number of ordinary shares '000	2023 Amount RM'000	2022 Amount RM'000
<b>Issued and fully paid-up</b>				
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 (2022 - 1,098,445) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold during the financial year.

Treasury shares have no rights to voting, dividends and participation in any other distribution. Treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisition of meeting, the quorum for a meeting and the result of a vote on a resolution at a meeting.

## 23. Loans and borrowings

	Group	
	2023 RM'000	2022 RM'000
<b>Current</b>		
Secured:		
Bankers' acceptances	47,594	59,628
Charge card	338	116
Term loans	727	1,400
Hire purchase payables	1,235	1,344
	<u>49,894</u>	<u>62,488</u>
<b>Non-current</b>		
Secured:		
Term loans	12,055	11,430
Hire purchase payables	2,629	2,867
	<u>14,684</u>	<u>14,297</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 23. Loans and borrowings (continued)

	Group	
	2023 RM'000	2022 RM'000
<b>Total loans and borrowings</b>		
Bankers' acceptances	47,594	59,628
Charge card	338	116
Term loans	12,782	12,830
Hire purchase payables	3,864	4,211
	<u>64,578</u>	<u>76,785</u>

The weighted average effective interest rates per annum at the end of the reporting period of loans and borrowings were as follows:-

	Interest Rate	Group	
		2023 %	2022 %
Bankers' acceptances	Fixed/Floating	3.50	2.45
Term loans	Floating	4.58	4.96
Hire purchase payables	Fixed	<u>2.92</u>	<u>4.29</u>

### Charge card

Late interest is charged at RM50 or 2% (2022 - RM50 or 2%) per month on the overdue balance, whichever is higher.

The loans and borrowings of the Group are secured by:-

- (i) legal charge of the Group's property, plant and equipment and right-of-use assets 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 21 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) registered debenture over certain fixed and floating assets of the Group;
- (v) assignment of life assurance policy by a director of the Company; and
- (vi) corporate guarantee by the Company.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 24. Lease liabilities

	Group	
	2023 RM'000	2022 RM'000
At 1 January	1,749	2,769
Additions during the year (Note 30(b) and 30(e))	408	166
Interest expense recognised in profit or loss (Note 6)	56	85
Repayment of principal	(994)	(1,389)
Repayment of interest expenses	(56)	(85)
Reassessment/Modification of lease liabilities (Note 30(e))	114	811
Derecognition due to lease termination (Note 30(e))	(31)	(608)
At 31 December	1,246	1,749
Analysed by:-		
Current liabilities	914	918
Non-current liabilities	332	831
	1,246	1,749

## 25. Deferred tax liabilities

Group	At	Recognised in	At
	1.1.2023 RM'000	profit or loss (Note 10) RM'000	31.12.2023 RM'000
<b>2023</b>			
<i>Deferred tax liabilities</i>			
Property, plant and equipment	11,009	(206)	10,803
Right-of-use assets	155	(6)	149
	11,164	(212)	10,952
<i>Deferred tax assets</i>			
Lease liabilities	(124)	6	(118)
Provisions	(157)	46	(111)
Allowance for impairment losses	(126)	(164)	(290)
Inventories written down	(83)	(34)	(117)
Unabsorbed capital allowances	(29)	(13)	(42)
Unabsorbed industrial building allowance	-	(18)	(18)
	(519)	(177)	(696)
	10,645	(389)	10,256

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. Deferred tax liabilities (continued)

Group	At	Recognised in	At
	1.1.2022	profit or loss	31.12.2022
	RM'000	(Note 10)	RM'000
		RM'000	
<b>2022</b>			
<i>Deferred tax liabilities</i>			
Property, plant and equipment	10,734	275	11,009
Right-of-use assets	423	(268)	155
	<u>11,157</u>	<u>7</u>	<u>11,164</u>
<i>Deferred tax assets</i>			
Lease liabilities	(395)	271	(124)
Provisions	(137)	(20)	(157)
Allowance for impairment losses	(78)	(48)	(126)
Inventories written down	(82)	(1)	(83)
Unabsorbed capital allowances	(17)	(12)	(29)
	<u>(709)</u>	<u>190</u>	<u>(519)</u>
	<u>10,448</u>	<u>197</u>	<u>10,645</u>

## 26. Trade payables

	Group	
	2023	2022
	RM'000	RM'000
		(Restated)
Third parties	17,976	12,570
Companies in which a director has substantial financial interest	72	632
Company in which close family members of certain directors have significant influence	145	1,594
	<u>18,193</u>	<u>14,796</u>

The normal trade credit terms granted to the Group range from 30 to 120 (2022 - 30 to 120) days.

## 27. Other payables and accruals

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Accrued operating expenses	6,886	6,402	55	50
Other payables	3,459	3,184	-	-
Sales tax payables	538	573	-	-
Amount payable to property, plant and equipment suppliers	1,911	2,525	-	-
	<u>12,794</u>	<u>12,684</u>	<u>55</u>	<u>50</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 28. Bank overdrafts

- (a) The bank overdrafts of the Group are secured by corporate guarantee of the Company and deposits with licensed banks of the Group and of the Company as disclosed in Note 21 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 7.72% (2022: 6.78%) per annum.

## 29. Dividends

Group/Company	
2023	2022
RM'000	RM'000

Final single tier dividend of approximately 1 sen (2022: 2 sen) per ordinary share in respect of the previous financial year	742	1,483
------------------------------------------------------------------------------------------------------------------------------	-----	-------

The Company declared a final single tier dividend of 2 sen per ordinary share in respect of the current financial year 31 December 2023 to be paid on 20 May 2024 to shareholders whose names appeared in the records of depositors on 3 May 2024. 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 the financial year ending 31 December 2024.

## 30. Cash flow information

- (a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group	
	2023	2022
	RM'000	RM'000
Cost of property, plant and equipment purchased (Note 12)	9,794	31,900
Advanced payment to suppliers	3,331	(2,575)
Under payables for purchase of property, plant and equipment	614	(939)
Amount financed under hire purchase payables (Note 30(e))	(1,105)	(679)
Cash disbursed for purchase of property, plant and equipment	<u>12,634</u>	<u>27,707</u>

- (b) The cash disbursed for addition of right-of-use assets is as follows:-

	Group	
	2023	2022
	RM'000	RM'000
Cost of right-of-use assets purchased (Note 13)	1,149	3,721
Amount under new lease acquired (Notes 24 and 30(e))	(408)	(166)
Cash disbursed for addition of right-of-use assets	<u>741</u>	<u>3,555</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 30. Cash flow information (continued)

(c) The cash and cash equivalents comprise the following:-

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deposits with licensed banks	4,659	4,542	3,414	3,328
Cash and bank balances	60,751	46,896	445	448
Bank overdrafts	(1,652)	(1,554)	-	-
	<u>63,758</u>	<u>49,884</u>	<u>3,859</u>	<u>3,776</u>
Less: Deposits pledged to licensed banks (Note 21)	(3,429)	(3,336)	(2,184)	(2,122)
Deposits with tenure more than 3 months	(1,230)	(1,206)	(1,230)	(1,206)
	<u>59,099</u>	<u>45,342</u>	<u>445</u>	<u>448</u>

(d) The total cash outflows for leases as a lessee are as follows:-

	Group	
	2023 RM'000	2022 RM'000
Payment of short-term leases	667	578
Payment of low-value assets	40	31
Interest paid on lease liabilities	56	85
Payment of lease liabilities	994	1,389
	<u>1,757</u>	<u>2,083</u>

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# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 30. Cash flow information (continued)

(e) The reconciliations of liabilities arising from financing activities are as follows:-

Group	Bank overdrafts RM'000	Bankers' acceptances RM'000	Charge card RM'000	Term loans RM'000	Lease liabilities RM'000	Hire purchase payables RM'000	Total RM'000
2023							
At 1 January	*	59,628	116	12,830	1,749	4,211	78,534
<u>Changes in financing cash flows</u>							
Proceeds from drawdown	-	-	-	1,105	-	-	1,105
Net proceeds from drawdown	*	-	222	-	-	-	222
Net repayment of principal	-	(12,034)	-	-	-	-	(12,034)
Repayment of principal	*	-	-	(1,153)	(994)	(1,452)	(3,599)
Repayment of interests	(70)	(1,649)	-	(580)	(56)	(220)	(2,575)
	(70)	(13,683)	222	(628)	(1,050)	(1,672)	(16,881)
<u>Other changes</u>							
Acquisition of new lease (Notes 24 and 30(b))	-	-	-	-	408	-	408
Acquired under hire purchase (Note 30(a))	-	-	-	-	-	1,105	1,105
Interest expenses recognised in profit or loss	70	1,649	-	580	56	220	2,575
Reassessment/Modification of lease (Note 24)	-	-	-	-	114	-	114
Derecognition due to lease termination (Note 24)	-	-	-	-	(31)	-	(31)
	70	1,649	-	580	547	1,325	4,171
At 31 December	*	47,594	338	12,782	1,246	3,864	65,824

\* Bank overdrafts have formed part of the cash and cash equivalents, therefore no movement is presented.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 30. Cash flow information (continued)

(e) The reconciliations of liabilities arising from financing activities are as follows (continued):-

Group	Bank overdrafts RM'000	Bankers' acceptances RM'000	Charge card RM'000	Term loans RM'000	Lease liabilities RM'000	Hire purchase payables RM'000	Total RM'000
At 1 January	*	64,370	139	1,936	2,769	5,636	74,850
<u>Changes in financing cash flows</u>							
Proceeds from drawdown	-	-	-	12,237	-	-	12,237
Net repayment of principal	*	(4,742)	(23)	-	-	-	(4,765)
Repayment of principal	*	-	-	(1,343)	(1,389)	(2,104)	(4,836)
Repayment of interests	(48)	(1,543)	-	(310)	(85)	(286)	(2,272)
	(48)	(6,285)	(23)	10,584	(1,474)	(2,390)	364
<u>Other changes</u>							
Acquisition of new lease (Notes 24 and 30(b))	-	-	-	-	166	-	166
Acquired under hire purchase (Note 30(a))	-	-	-	-	-	679	679
Interest expenses recognised in profit or loss	48	1,543	-	310	85	286	2,272
Reassessment/Modification of lease (Note 24)	-	-	-	-	811	-	811
Derecognition due to lease termination (Note 24)	-	-	-	-	(608)	-	(608)
	48	1,543	-	310	454	965	3,320
At 31 December	*	59,628	116	12,830	1,749	4,211	78,534

\* Bank overdrafts have formed part of the cash and cash equivalents, therefore no movement is presented.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 31. Related party disclosures

### (a) Subsidiaries

The subsidiaries are disclosed in Note 14 to the financial statements.

### (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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>Subsidiaries</b>				
Dividends received from subsidiaries	-	-	(1,271)	(1,718)
<b>Companies in which certain directors have substantial financial interests</b>				
Lease expenses	640	636	-	-
Sales of goods	(10,890)	(10,467)	-	-
Purchase of goods	373	455	-	-
<b>A company in which close family members of certain directors have substantial interest</b>				
Repair and maintenance	8	855	-	-
Purchase of goods	-	1	-	-
Purchase of property, plant and equipment	637	197	-	-
<b>Companies in which close family members of certain directors have significant influence</b>				
Sales of goods	(642)	(183)	-	-
Purchase of goods	15,949	13,350	-	-

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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 in 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>(a) Directors</b>				
<u>Directors of the Company</u>				
Short-term employee benefits:				
- fees	200	180	200	180
- salaries, bonuses and other benefits	2,603	1,968	19	18
Defined contribution benefits	216	168	-	-
	<u>3,019</u>	<u>2,316</u>	<u>219</u>	<u>198</u>
<u>Directors of the Subsidiaries</u>				
Short-term employee benefits:				
- salaries, bonuses and other benefits	808	925	-	-
Defined contribution benefits	88	91	-	-
	<u>896</u>	<u>1,016</u>	<u>-</u>	<u>-</u>
Total directors' remuneration (Note 8)	<u>3,915</u>	<u>3,332</u>	<u>219</u>	<u>198</u>

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company was approximately RM63,000 (2022: RM46,000).

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 32. Key management personnel compensation (continued)

### (b) Other key management personnel

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Short-term employee benefits	946	1,191	-	-
Defined contribution benefits	85	127	-	-
Total compensation for other key management personnel (Note 9)	<u>1,031</u>	<u>1,318</u>	<u>-</u>	<u>-</u>

## 33. Capital commitments

	Group	
	2023 RM'000	2022 RM'000
Purchase of property, plant and equipment	<u>36,921</u>	<u>3,198</u>

## 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Malaysia	270,891	321,375	120,313	124,872
Asia	2,052	2,010	-	-
United States of America	5,479	5,540	-	-
	<u>278,422</u>	<u>328,925</u>	<u>120,313</u>	<u>124,872</u>

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments

The activities of the Group and of the Company 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 overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and of the Company.

### 35.1 Financial risk management policies

The 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 occasion, 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 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*

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>United States Dollar</b>		
<u>Financial assets</u>		
Trade receivables	1,387	3,158
Other receivables	463	-
Cash and bank balances	9	7
<u>Financial liabilities</u>		
Trade payables	(561)	(223)
Other payables and accruals	(1,048)	(1,526)
Currency Exposure	250	1,416

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.1 Financial risk management policies (continued)

#### (a) Market risk (continued)

##### (i) Foreign currency risk (continued)

#### *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	
	2023 RM'000	2022 RM'000
<b>Effects on Profit After Taxation</b>		
USD/RM – strengthened by 12% (2022: 14%)	23	151
– weakened by 12% (2022: 14%)	(23)	(151)
	23	(151)

##### (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 exposure to interest rate risk arises mainly from interest-bearing borrowings. The Group adopts a policy of obtaining the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The fixed rate debt instruments of the Group and of the Company are not subject to interest rate risk since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 23 and 28 to the financial statements.

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# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.1 Financial risk management policies (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

##### *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	
	2023 RM'000	2022 RM'000
<b>Effects on Profit After Taxation</b>		
Increase of 26 basis points (2022: 93 basis points)	(117)	(532)
Decrease of 26 basis points (2022: 93 basis points)	<u>117</u>	<u>532</u>

##### (iii) Equity price risk

The Group and the Company do not have any quoted investments and hence, is not exposed to equity price risk.

#### (b) Credit risk

The exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposures 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 and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Also, the Company's exposure to credit risk includes corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to serve their loans on an individual basis.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.1 Financial risk management policies (continued)

#### (b) Credit risk (continued)

##### (i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

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	
	2023 RM'000	2022 RM'000
Local	57,259	64,118
Foreign	1,476	2,642
	58,735	66,760

##### (ii) Maximum 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.

##### (iii) Assessment of impairment losses

The Group has a formal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group evaluates whether any of the financial assets at amortised cost are credit impaired.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.1 Financial risk management policies (continued)

#### (b) Credit risk (continued)

##### (iii) Assessment of impairment losses (continued)

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of the following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 90 days past due.

#### Trade receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

#### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

To measure the expected credit losses, trade receivables (including related parties) have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rate are based on the payment profiles of sales over 24 months before the reporting date 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 trade receivables to settle their debts using the linear regressive analysis. The Group has identified the unemployment rate or inflation rate as the key macroeconomic factors of the forward-looking information.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.1 Financial risk management policies (continued)

#### (b) Credit risk (continued)

##### (iii) Assessment of impairment losses (continued)

##### *Allowance for Impairment Losses*

The Group	Gross Amount RM'000	Lifetime Individual Allowance RM'000	Lifetime Collective Allowance RM'000	Carrying Amount RM'000
<b>2023</b>				
Current				
(not past due)	40,473	-	(601)	39,872
1 to 30 days past due	14,227	-	(195)	14,032
31 to 60 days past due	4,606	-	(162)	4,444
61 to 90 days past due	491	-	(112)	379
Credit impaired	1,261	(492)	(761)	8
	<u>61,058</u>	<u>(492)</u>	<u>(1,831)</u>	<u>58,735</u>

The Group	Gross Amount RM'000	Lifetime Individual Allowance RM'000	Lifetime Collective Allowance RM'000	Carrying Amount RM'000
<b>2022</b>				
Current				
(not past due)	46,476	-	(508)	45,968
1 to 30 days past due	14,995	-	(167)	14,828
31 to 60 days past due	5,061	-	(70)	4,991
61 to 90 days past due	1,043	-	(70)	973
Credit impaired	848	(731)	(117)	-
	<u>68,423</u>	<u>(731)</u>	<u>(932)</u>	<u>66,760</u>

The movements in the loss allowances in respect of trade receivables are disclosed in Note 18 to the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.1 Financial risk management policies (continued)

#### (b) Credit risk (continued)

##### (iii) Assessment of impairment losses (continued)

###### Other receivables

The Group and the Company apply the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group and the Company consider the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

###### *Allowance for Impairment Losses*

No expected credit loss is recognised on other receivables as it is negligible.

###### Deposits with Licensed Banks, Cash and Bank Balances

The Group and the Company consider the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group and the Company are of the view that the loss allowance is immaterial and hence, it is not provided for.

###### Financial Guarantee Contracts

Corporate guarantees for borrowing facilities granted to subsidiaries are financial guarantee contract.

###### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

The Company closely monitors the subsidiaries' financial strength to reduce the risk of loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

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## 35. Financial instruments (continued)

### 35.1 Financial risk management policies (continued)

#### (b) Credit risk (continued)

##### (iii) Assessment of impairment losses (continued)

##### Financial Guarantee Contracts (continued)

##### *Inputs, Assumptions and Techniques used for Estimating Impairment Losses (continued)*

The Company considers there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. A financial guarantee contract is credit impaired when:

- The subsidiary is unlikely to repay its obligation to the bank in full; or
- The subsidiary is having a deficit in equity and is continuously loss making.

The Company determines the probability of default of the guaranteed amounts individually using internal information available.

##### *Allowance for Impairment Losses*

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 and the Company practise prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

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# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
<b>2023</b>						
<b>Non-derivative Financial Liabilities</b>						
Trade payables	-	18,193	18,193	18,193	-	-
Other payables and accruals	-	12,256	12,256	12,256	-	-
Bank overdrafts	7.35 to 8.40	1,652	1,652	1,652	-	-
Bankers' acceptances	3.16 to 4.43	47,594	47,594	47,594	-	-
Charge card	2.00	338	338	338	-	-
Term loans	4.35 to 4.93	12,782	17,324	1,322	4,337	11,665
Lease liabilities	1.91 to 5.76	1,246	1,297	955	342	-
Hire purchase payables	2.66 to 3.50	3,864	4,249	1,414	2,835	-
		<b>97,925</b>	<b>102,903</b>	<b>83,724</b>	<b>7,514</b>	<b>11,665</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
<b>2022 (Restated)</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	14,796	14,796	14,796	-	-
Other payables and accruals	-	12,111	12,111	12,111	-	-
Bank overdrafts	6.72 to 11.82	1,554	1,554	1,554	-	-
Bankers' acceptances	2.27 to 4.11	59,628	59,628	59,628	-	-
Charge card	2.00	116	116	116	-	-
Term loans	3.77 to 5.85	12,830	17,426	1,703	4,478	11,245
Lease liabilities	1.75 to 5.75	1,749	1,818	969	849	-
Hire purchase payables	2.98 to 7.50	4,211	4,651	1,539	3,112	-
Balance carried forward		106,995	112,100	92,416	8,439	11,245

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2022						
Balance brought forward		106,995	112,100	92,416	8,439	11,245
<u>Derivative Financial Liabilities</u>						
Forward currency contracts (gross settled) :						
- gross payments	-	6	1,106	1,106	-	-
		<u>107,001</u>	<u>113,206</u>	<u>93,522</u>	<u>8,439</u>	<u>11,245</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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):-

	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows		1 – 5 Years RM'000
			RM'000	Within 1 Year RM'000	
<b>The Company</b>					
<b>2023</b>					
<u>Non-derivative Financial Liabilities</u>					
Other payables and accruals	-	55	55	55	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	66,135	66,135	-
		55	66,190	66,190	-
<b>2022</b>					
<u>Non-derivative Financial Liabilities</u>					
Other payables and accruals	-	50	50	50	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	76,300	76,300	-
		50	76,350	76,350	-

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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 their 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 using gearing ratio, which is 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 gearing ratio of the Group at the end of the reporting period are as follows:-

	Group	
	2023 RM'000	2022 RM'000 (Restated)
Trade payables	18,193	14,796
Other payables and accruals	12,794	12,684
Bank overdrafts	1,652	1,554
Charge card	338	116
Lease liabilities	1,246	1,749
Term loans	12,782	12,830
Bankers' acceptances	47,594	59,628
Hire purchase payables	3,864	4,211
	98,463	107,568
Less: Cash and bank balances	(60,751)	(46,896)
Less: Deposits with licensed banks	(4,659)	(4,542)
Net debt	33,053	56,130
Total equity	196,985	191,160
Capital and net debt	230,038	247,290
Gearing ratio	0.14	0.23

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.3 Classification of financial instruments

	Group		Company	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
<b>Financial Assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Derivative assets (Note 20)	37	-	-	-
<u>Amortised Cost</u>				
Trade receivables (Note 18)	58,735	66,760	-	-
Other receivables (Note 19)	174	329	9	13
Deposits with licensed banks (Note 21)	4,659	4,542	3,414	3,328
Cash and bank balances	60,751	46,896	445	448
	<u>124,356</u>	<u>118,527</u>	<u>3,868</u>	<u>3,789</u>

	Group		Company	
	2023 RM'000	2022 RM'000 (Restated)	2023 RM'000	2022 RM'000
<b>Financial Liabilities</b>				
<u>Fair Value Through Profit or Loss</u>				
Derivative liabilities (Note 20)	-	6	-	-
<u>Amortised Cost</u>				
Trade payables (Note 26)	18,193	14,796	-	-
Other payables and accruals (Note 27)	12,256	12,111	55	50
Bank overdrafts (Note 28)	1,652	1,554	-	-
Charge card (Note 23)	338	116	-	-
Lease liabilities (Note 24)	1,246	1,749	-	-
Hire purchase payables (Note 23)	3,864	4,211	-	-
Term loans (Note 23)	12,782	12,830	-	-
Bankers' acceptances (Note 23)	47,594	59,628	-	-
	<u>97,925</u>	<u>107,001</u>	<u>55</u>	<u>50</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 35. Financial instruments (continued)

### 35.4 Gains or Losses Arising From Financial Instruments

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Financial Assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Net gains recognised in profit or loss	43	-	-	-
<u>Amortised Cost</u>				
Net gains recognised in profit or loss	344	12	83	51
<b>Financial Liabilities</b>				
<u>Fair Value Through Profit or Loss</u>				
Net losses recognised in profit or loss	-	(9)	-	-
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(2,848)	(2,493)	-	-

### 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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# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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:-

Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2023</b>								
<u>Financial Assets</u>								
Derivative assets:								
- forward currency contracts	-	37	-	-	-	-	37	37
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	12,782	-	12,782	12,782
<b>2022</b>								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	12,830	-	12,830	12,830
Derivative liabilities:								
- forward currency contracts	-	6	-	-	-	-	6	6

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 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.

(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 term loans 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

A wholly-owned subsidiary of the Company, Ornapaper Industry (M) Sdn. Bhd. had on 20 July 2023 entered into two Sales and Purchase Agreements (“SPAs”) with Faithview Group Development Sdn. Bhd. to acquire two pieces of leasehold vacant lands as follows:-

- (i) PN 67963, Lot 23933 (previously known as HS(D) 85476, PT 12084), Mukim Krubong, Daerah Melaka Tengah, Negeri Melaka measuring approximately 6.144 hectares in land area for a consideration of RM18,516,967.
- (ii) PN 67964, Lot 23934 (previously known as HS(D) 85477, PT 12085), Mukim Krubong, Daerah Melaka Tengah, Negeri Melaka measuring approximately 4.059 hectares in land area for a consideration of RM12,233,133.

The above acquisitions were completed on 2 February 2024.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 37. Comparative figures

The following figures have been reclassified to conform with the presentation of the current financial year:-

	<b>As Previously Reported RM'000</b>	<b>As Restated RM'000</b>
<u>Consolidated Statement of Financial Position (Extract):-</u>		
Trade payables	15,180	14,796
Other payables and accruals	12,300	12,684
<u>Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extract):-</u>		
Administrative expenses	16,774	16,820
Selling and marketing expenses	4,358	4,309
Other expenses	7,464	7,467
<u>Consolidated Statement of Cash Flows (Extract):-</u>		
Net cash for investing activities	(29,995)	(29,943)
Net cash for financing activities	(1,187)	(1,239)

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# List Of Properties

As at 31 December 2023

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 31/12/2023 (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 & Office		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 & Office	27	04-Mar-02	26,560
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 (Service Road)		01-Aug-03	
OISB(BP)	H. S. (D) 43098 Lot No. PLO 271 (PTD 39208) Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	13,067	Leasehold 60 Years Expiring On 10/07/2060	Industrial & Office	26	27-Oct-97	
OISB(BP)	H. S. (D) 38426 Lot No. PLO 333, (PTD 35123) Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim.	4,047	Leasehold 60 Years Expiring On 04/02/2058	Industrial & Office	26	27-Dec-11	16,184
OISB(BP)	H.S. (D) 38298 Lot No. PLO 273, (PTD 39025) Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim.	6,287	Leasehold 60 years Expiring On 05/10/2057	Industrial & Office	27	25-Jan-22	
OISB(BP)	H.S. (D) 39039 Lot No.4, (PTD 38451) Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim.	1,138	Leasehold 60 years Expiring On 30/03/2059	Industrial & Office	24	09-Nov-22	
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 & Office	33	25-May-90	6,689
OISB(JOHOR)	Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan	6,070	Leasehold 60 Years Expiring On 10/07/2056	Industrial & Office	17	14-Mar-02	7,580
OISB(JOHOR)	H. S. (D) 248366 Lot PTD 46025 Mukim & District of Senai-Kulai, Johor Bahru	5,494	Freehold	Industrial & Office	26	08-Jun-22	
OISB(JOHOR)	Lot No.39337, Title No. GRN 395596 No.305, Jalan Idaman 1/15, Taman Perindustrian Senai, 81400 Senai, Johor						

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 20 March 2024

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 Share

## DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders		No. of Shares	
		%		%
1 – 99	16	1.01	458	0.00
100 – 1,000	301	19.00	233,451	0.31
1,001 – 10,000	820	51.77	4,131,800	5.57
10,001 – 100,000	377	23.80	12,135,204	16.37
100,001 – 3,707,606 (*)	69	4.36	19,766,024	26.66
3,707,607 and above (**)	1	0.06	37,885,219	51.09
<b>TOTAL</b>	<b>1,584</b>	<b>100.00</b>	<b>74,152,156</b>	<b>100.00</b>

Remarks: \* Less than 5% of issued shares  
\*\* 5% and above of issued shares

## SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Intisari Delima Sdn. Bhd.	37,885,219	51.09	-	-
Sai Ah Sai	120,000	0.16	<sup>(1)</sup> 39,532,043	53.31
Sai Chin Hock	-	-	<sup>(2)</sup> 37,885,219	51.09
Sai Han Siong	15,000	0.02	<sup>(3)</sup> 38,467,543	51.88

# Analysis of Shareholdings

As at 20 March 2024

## DIRECTORS' SHAREHOLDINGS (Based on the Register of Directors' Shareholdings)

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Sai Ah Sai	120,000	0.16	<sup>(1)</sup> 39,532,043	53.31
Sai Chin Hock	-	-	<sup>(2)</sup> 37,885,219	51.09
Sai Han Siong	15,000	0.02	<sup>(3)</sup> 38,467,543	51.88
Tan Chin Hwee	-	-	-	-
Ang Kwee Teng	-	-	-	-
Lim Joo Song	-	-	<sup>(4)</sup> 292,000	0.39
Lim Kit Ming	-	-	-	-
Sean Ne Teo	-	-	-	-

**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 Sistemik 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.
- (4) Deemed interest pursuant to Section 59(11)(c) of the Act on shares held through his spouse, Lim Huey Tien.

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# Analysis of Shareholdings

As at 20 March 2024

## THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Shareholders	No. of shares	%
1	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Intisari Delima Sdn. Bhd.	37,885,219	51.09
2	Cemerlang Muhibbah Sdn. Bhd.	1,419,300	1.91
3	Uptrend Performer Sdn. Bhd.	1,000,000	1.35
4	Teu Chee Chai	866,900	1.17
5	Teh Ai Lee	801,800	1.08
6	Lim Hong Liang	745,000	1.00
7	Wong Lai Han	610,900	0.82
8	Soo Chok Chin	525,000	0.71
9	Teo Kwee Hock	471,100	0.64
10	Ling Eng Kheat	470,100	0.63
11	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Pilihan Sistematik Sdn. Bhd.	459,324	0.62
12	Chen Foong Szeen	447,200	0.60
13	Chong Nyok Moey	429,000	0.58
14	Heng Chin Hin	418,400	0.56
15	Yeo Ser Ken	410,000	0.55
16	Tan Soo Han	408,000	0.55
17	Chen Fook Wah	396,200	0.53
18	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chen Fook Wah	395,700	0.53
19	Khoo Yew Nean	361,000	0.49
20	Lim Hong Liang	319,200	0.43
21	Ong Teck Peow	312,100	0.42
22	Lim Ah Lam	312,000	0.42
23	Lim Huey Tien	292,000	0.39
24	Liau Keen Yee	280,000	0.38
25	Wang Yeen Wah	273,400	0.37
26	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Gan Hai Toh	265,800	0.36
27	Wong Sik Wan	251,700	0.34
28	Chen Foong Szeen	250,900	0.34
29	Khoo Beng Chuan	250,000	0.34
30	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Chu Leong	240,500	0.32

# Notice of the Twenty-Second Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twenty-Second Annual General Meeting (“**22nd AGM**”) of the Company will be held at Function Room 2, Level 2, Holiday Inn Melaka, Jalan Syed Abdul Aziz, 75000 Melaka, Malaysia on **Wednesday, 26 June 2024 at 10:30 a.m.** for the following purposes: -

## AGENDA

- |    |                                                                                                                                                                                  |                           |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and the Auditors thereon.                   | (Please refer to Note 13) |
| 2. | To approve the payment of Directors’ fees up to an amount of RM255,000/- from 27 June 2024 until the Twenty-Third AGM of the Company.                                            | (Ordinary Resolution 1)   |
| 3. | To approve the payment of Directors’ benefits payable up to an amount of RM32,000/-, from 27 June 2024 until the Twenty-Third AGM of the Company.                                | (Ordinary Resolution 2)   |
| 4. | To re-elect Mr. Sai Han Siong who is retiring in accordance with Clause 120 of the Company’s Constitution and being eligible, has offered himself for re-election.               | (Ordinary Resolution 3)   |
| 5. | To re-elect the following Directors, who are retiring in accordance with Clause 119 of the Company’s Constitution and being eligible, have offered themselves for re-election: - |                           |
|    | (a) Mr. Ang Kwee Teng;                                                                                                                                                           | (Ordinary Resolution 4)   |
|    | (b) Mr. Lim Kit Ming;                                                                                                                                                            | (Ordinary Resolution 5)   |
|    | (c) Ms. Sean Ne Teo; and                                                                                                                                                         | (Ordinary Resolution 6)   |
|    | (d) Mr. Lim Joo Song.                                                                                                                                                            | (Ordinary Resolution 7)   |
| 6. | To re-appoint Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.                                       | (Ordinary Resolution 8)   |

### **As Special Business**

To consider and if thought fit, with or without any modification, to pass the following Ordinary Resolutions: -

- |    |                                                                                                                            |                         |
|----|----------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 7. | <b>Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 and Waiver of Pre-Emptive Rights</b> | (Ordinary Resolution 9) |
|----|----------------------------------------------------------------------------------------------------------------------------|-------------------------|

**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 (“**General Mandate**”).

# Notice of the Twenty-Second Annual General Meeting

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**AND THAT** approval be and is hereby given for the pre-emptive rights of the shareholders of the Company under Section 85 of the Act read together with Clause 14 of the Constitution, over all the new shares to be issued pursuant to and/or arising from the General Mandate ranking equally to the existing issued shares, being in proportion as nearly as the circumstances admit, to the amount of the existing shares held by the shareholders of the Company as at the date of issuance and allotment of such new shares ("**Pre-emptive Rights**"), be irrevocably and unconditionally waived ("**Waiver of Pre-emptive Rights**").

**AND THAT** the Company be exempted from the obligation to offer such new shares to be issued and allotted pursuant to the General Mandate to the shareholders of the Company in accordance with the Pre-emptive Rights.

**AND THAT** the Directors and/or the Company Secretaries be hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Waiver of Pre-emptive Rights for and on behalf of the Company.

**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.

**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 Annual General Meeting of the Company.

8. **Retention of Mr. Tan Chin Hwee as an Independent Non-Executive Director**

(Ordinary Resolution 10)

**THAT** approval be and is hereby given to Mr. Tan Chin Hwee, 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. **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature**

(Ordinary Resolution 11)

**THAT** subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), 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 Parties as specified in Section 1.4 of Part A of the Circular/Statement to Shareholders dated 30 April 2024 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.

# Notice of the Twenty-Second Annual General Meeting

**THAT** such approval shall continue to be in force until the earlier of: -

- (i) the conclusion of the next Annual General Meeting (“**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 Companies Act 2016 (“**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;

**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. **Proposed Renewal of Authority for the Company to Purchase Its Own Shares (“Proposed Renewal of Share Buy-Back Authority”)**

(Ordinary Resolution 12)

**THAT** subject to the Companies Act 2016 (“**the Act**”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**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

# Notice of the Twenty-Second Annual General Meeting

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- (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.

**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 Annual General Meeting ("**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 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: 30 April 2024

# Notice of the Twenty-Second Annual General Meeting

## IMPORTANT NOTICE

1. 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.
2. 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.
3. 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.
4. 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.
5. The instrument appointing a proxy shall be in writing and 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.
6. The Form of Proxy duly completed must be deposited at the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 22nd AGM or adjourned general meeting at which the person named in the appointment proposes to vote.
7. Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
8. The last date and time for lodging the Form of Proxy is **Monday, 24 June 2024 at 10:30 a.m.**
9. 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., B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 22nd 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.
10. 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., B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, 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.

# Notice of the Twenty-Second Annual General Meeting

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- (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.
11. 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 18 June 2024**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 22nd AGM or appoint proxies to attend and vote in his stead.
12. **Publication of Notice of 22nd 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/>.
13. **Audited Financial Statements for the financial year ended 31 December 2023**
- 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 Ordinary Resolution 1, if approved, will authorise the payment of Directors' fees to the Non-Executive Directors ("**NEDs**") by the Company for the period from 27 June 2024 to the Twenty-Third 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 a current financial year basis.

The proposed Ordinary 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 27 June 2024 to the Twenty-Third 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 Director who is retiring in accordance with Clause 120 of the Company's Constitution**

Pursuant to Clause 120 of the Company's Constitution, Mr. Sai Han Siong is to retire at the forthcoming 22nd AGM of the Company. Mr. Sai Han Siong being eligible, has offered himself for re-election at the 22nd AGM.

The Board of Directors has through the Nomination Committee carried out the necessary assessment of Mr. Sai Han Siong and concluded that he 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 his roles as Director.

# Notice of the Twenty-Second Annual General Meeting

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The profile of the Director standing for re-election is provided on page 5 of the 2023 Annual Report.

**(iii) Re-election of Directors who are retiring in accordance with Clause 119 of the Company's Constitution**

Pursuant to Clause 119 of the Company's Constitution, Mr. Ang Kwee Teng, Mr. Lim Kit Ming, Ms. Sean Ne Teo and Mr. Lim Joo Song are to retire at the forthcoming 22nd AGM of the Company. Mr. Ang Kwee Teng, Mr. Lim Kit Ming, Ms. Sean Ne Teo and Mr. Lim Joo Song, being eligible, have offered themselves for re-election at the 22nd AGM.

The Board of Directors has through the Nomination Committee carried out the necessary assessment of Mr. Ang Kwee Teng, Mr. Lim Kit Ming, Ms. Sean Ne Teo and Mr. Lim Joo Song 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 Director.

The profiles of the Directors standing for re-election are provided on pages 3 to 5 of the 2023 Annual Report.

**(iv) Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 and Waiver of Pre-Emptive Rights**

The proposed Ordinary Resolution 9 aims to renew the authority granted to the Company's Directors at the Twenty-First ("21st") AGM held on 31 May 2023. This authority allows the Directors to issue and allot shares at their absolute discretion without convening a general meeting, provided that the total shares issued do not exceed 10% of the Company's total issued shares at that time ("**General Mandate**").

The General Mandate granted by the shareholders at the 21st AGM of the Company had not been utilised and hence no proceed was raised therefrom.

The new General Mandate empowers Directors to swiftly allot shares for potential fundraising activities, such as further share placements, to support future investment projects, working capital, and/or acquisitions. This measure aims to prevent delays and costs associated with convening general meetings to approve share issuances.

Subsection 85(1) of the Act states that "Subject to the Constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders".

It is also provided under Clause 14 of the Constitution of the Company that subject to any direction to the contrary that may be given by the Company in general meeting and subject always to the Constitution and the Act, all new shares or other securities shall, before issue, be offered to Members who at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.

Thus, the Company seeks shareholder approval to waive pre-emptive rights under Section 85 of the Act and Clause 14 of the Constitution concerning the issuance of shares through the General Mandate. This waiver allows the Company to issue shares to any individual, member or otherwise, as determined by the Directors. Approval of Ordinary Resolution 9 signifies shareholders' irrevocable and unconditional waiver of their Pre-Emptive Rights.

# Notice of the Twenty-Second Annual General Meeting

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**(v) Retention as Independent Non-Executive Director**

Mr. Tan Chin Hwee was appointed as an Independent Non-Executive Director of the Company on 22 January 2014 and has 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 has assessed Mr. Tan Chin Hwee's independence and considers him to be independent based on several justifications, recommending that he be retained as an Independent Non-Executive Director of the Company:

- a. He has met the independence guidelines outlined in Chapter 1 of the Main Market Listing Requirements of Bursa Securities;
- b. He has no conflict of interest with the Company and has not entered, nor is expected to enter, into contract(s), especially material contract(s), with the Company and/or its subsidiaries; and
- c. The Board values Mr. Tan Chin Hwee's long tenure on the Board, his deep understanding of the Company and the Group's operations, and his historical knowledge, which have been invaluable contributions to the Board in his capacity as an Independent Non-Executive Director.

**(vi) Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Ordinary Resolution 11, if approved, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations to facilitate transactions in the normal course of business of the Company with the specified classes of related parties, provided that they are carried out on arms' length basis and on normal commercial terms and are not prejudicial to the shareholders on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Please refer to the Circular/Statement to Shareholders dated 30 April 2024 for detailed information

**(vii) Proposed Renewal of Share Buy-Back Authority**

The proposed Ordinary Resolution 12, 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 30 April 2024.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate, speak and vote at the 22nd 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. \_\_\_\_\_  
o f (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 Twenty-Second Annual General Meeting ("**22nd 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 **Wednesday, 26 June 2024** at 10:30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at \*his/her discretion.

Ordinary Resolution	Agenda	For	Against
1.	To approve the payment of Directors' fees up to an amount of RM255,000/- from 27 June 2024 until the Twenty-Third AGM of the Company.		
2.	To approve the payment of Directors' benefits payable up to an amount of RM32,000/-, from 27 June 2024 until the Twenty-Third AGM of the Company.		
3.	To re-elect Mr. Sai Han Siong in accordance with Clause 120 of the Company's Constitution.		
4.	To re-elect Mr. Ang Kwee Teng in accordance with Clause 119 of the Company's Constitution.		
5.	To re-elect Mr. Lim Kit Ming in accordance with Clause 119 of the Company's Constitution.		
6.	To re-elect Ms. Sean Ne Teo in accordance with Clause 119 of the Company's Constitution.		
7.	To re-elect Mr. Lim Joo Song in accordance with Clause 119 of the Company's Constitution.		
8.	To re-appoint Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
9.	Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 and Waiver of Pre-Emptive Rights.		
10.	Retention of Mr. Tan Chin Hwee as an Independent Non-Executive Director of the Company.		
11.	Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions of a Revenue or Trading Nature.		
12.	Proposed Renewal of Authority for the Company to Purchase Its Own Shares.		

As witness my/our hand(s) this day \_\_\_\_\_ of \_\_\_\_\_, 2024.

Contact Number: \_\_\_\_\_

\_\_\_\_\_  
\*Signature(s)/Common Seal of Member

\* Strike out whichever is not applicable.

## IMPORTANT NOTICE

1. 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.
2. 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.
3. 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.
4. 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.
5. The instrument appointing a proxy shall be in writing and 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.
6. The Form of Proxy duly completed must be deposited at the Company's Share Registrar at Aldpro Corporate Services Sdn. Bhd., B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 22nd AGM or adjourned general meeting at which the person named in the appointment proposes to vote.
7. Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
8. The last date and time for lodging the Form of Proxy is **Monday, 24 June 2024 at 10:30 a.m.**
9. 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., B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 22nd 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.
10. 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., B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, 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.
11. 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 18 June 2024**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this 22nd AGM or appoint proxies to attend and vote in his stead.

### Personal Data Privacy:

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 30 April 2024.

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Affix  
Stamp  
Here

The Company's Share Registrar  
ORNAPAPER BERHAD [200201006032 (573695-W)]  
Aldpro Corporate Services Sdn. Bhd.  
202101043817 (1444117-M)  
B-21-1, Level 21, Tower B, Northpoint Mid Valley City,  
No. 1, Medan Syed Putra Utara,  
59200 Kuala Lumpur, Wilayah Persekutuan.

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