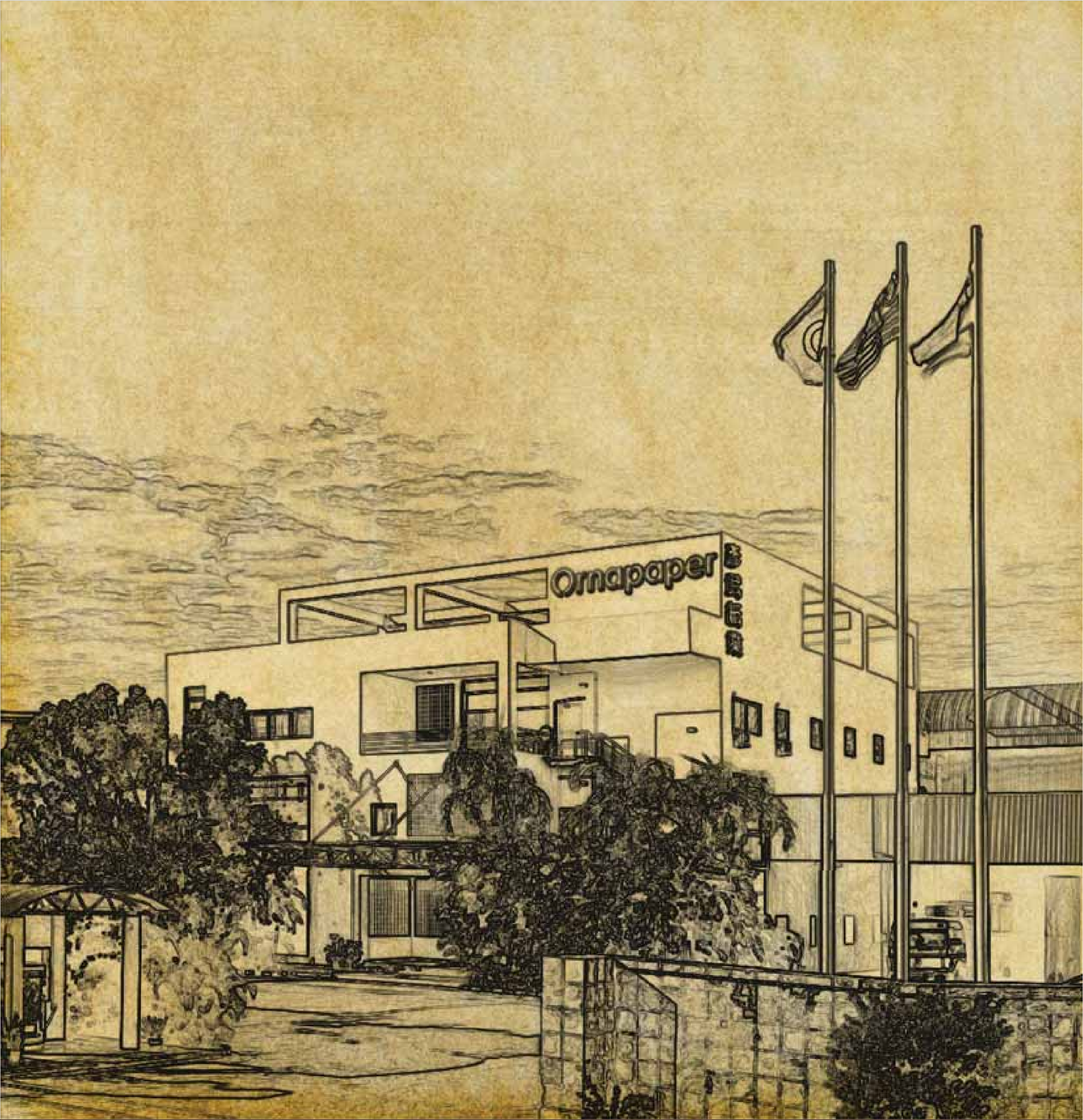


Ornapaper

ANNUAL REPORT 2015

Contents

Notice Of The 14th Annual General Meeting

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting ("AGM") of the Company will be held at Holiday Inn Melaka, Jalan Syed Abdul Aziz, 75000 Melaka on Friday, 27 May 2016 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (i)]**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2015. (Resolution 1)

3. To re-elect the following Directors who are retiring in accordance to Article 92 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   (a) Mr. Sai Chin Hock (Resolution 2)
   (b) Datuk Adillah Binti Ahmad Nordin (Resolution 3)

4. To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. (Resolution 4)

5. **As Special Business**
   To consider and, if thought fit, with or without any modification, to pass the following resolutions:

   Special Resolution I (Resolution 5)
   - Proposed Amendments to the Articles of Association

   THAT the following proposed amendments to the Articles of Association of the Company be hereby approved:-

Article No.	*Existing Provision*	*Amended Provision*
149	*Profit and loss account and balance sheet* The Directors shall from time to time in accordance with the provisions of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheet and reports as are required under the Act PROVIDED always that the interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports to the Exchange shall not exceed four (4) Months or such period as may be prescribed by the Listing Requirements.	*Profit and loss account and balance sheet* The Directors shall from time to time in accordance with the provisions of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheet and reports as are required under the Act ~~**PROVIDED always that the interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports to the Exchange shall not exceed four (4) Months**~~ or such period as may be prescribed by the Listing Requirements.

Notice Of The 14th Annual General Meeting

150A	**New Provision**	***Annual Report*** **Subject to compliance with the requirements of Bursa Malaysia Securities Berhad and any other relevant laws and regulations, if any, the company may issue its annual report in CD-ROM or in such other electronic format and if a member requires a printed form of the annual report, the Company shall send such document to the member within four (4) Market Days from the date of receipt of the member's verbal or written request.**

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendment with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorises.

Ordinary Resolution I (Resolution 6)
- **Authority to Issue Shares Pursuant to Section 132D of the Companies Act. 1965**

THAT subject to Section 132D of the Companies Act, 1965 ("the Act") and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities").

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company.

Ordinary Resolution II (Resolution 7)
- **Retention of Independent Non-Executive Director**

THAT approval be and is hereby given to Datuk Adillah binti Ahmad Nordin, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.

Ordinary Resolution III (Resolution 8)
- **Retention of Independent Non-Executive Director**

THAT approval be and is hereby given to Mr. Siow Kee Yen, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.

Notice Of The 14th Annual General Meeting

Ordinary Resolution IV (Resolution 9)

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

THAT, subject to the provisions of Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Part I Section 2.4 of the Circular to Shareholders dated 29 April 2016, provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders.

THAT such approval shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting;

(ii) the expiration of the period within which the next AGM is to be held pursuant to Section 143(1) of the Act (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company at a general meeting before the next AGM;

whichever is earlier;

And that the Directors of the Company be authorised to act for and on behalf of the Company, to take all such steps and execute all necessary documents as they may consider expedient or deem fit in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

Ordinary Resolution V (Resolution 10)

- **Proposed Renewal of Authority for Share Buy-Back**

THAT, subject to the compliance with Section 67A of the Act and all other applicable laws, rules and regulations, approval be and is hereby given to the Company, to purchase such amount of ordinary shares of RM1.00 each 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 and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and held pursuant to this resolution does not exceed 10% of the existing issued and paid-up ordinary share capital of the Company including the shares previously purchased and retained as Treasury Shares (if any) and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits and share premium account of the Company based on the latest audited financial statement, upon such terms and conditions as set out in the Statement to Shareholders dated 29 April 2016.

Notice Of The 14th Annual General Meeting

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution and until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM is required by law to be held unless revoked or varied by Ordinary Resolution in the general meeting of the Company but so as not to prejudice the completion of a purchase made before such expiry date, in any event in accordance with the provisions of Bursa Securities Main Market Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares in the Company so purchased by the Company as Treasury Shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends in such manner as may be permitted and prescribed by the provisions of the Bursa Securities Main Market Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary to enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company.

6. To transact any other business of which due notice shall have been given.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
SEAN NE TEO (LS 0008058)
Company Secretaries
Melaka
Dated: 29 April 2016

Explanatory Notes to Special Business:-

(i) This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Act does not require a formal approval for the Audited Financial Statements from the shareholders. Hence, this Agenda item is not put forward for voting.

(ii) **Proposed Amendments to the Articles of Association of the Company ("Proposed Amendment")**
The Proposed Amendment is to streamline the Company's Articles of Association to be aligned with the amendments made to the Bursa Securities Main Market Listing Requirements, as well as to enhance administrative efficiency.

(iii) **Authority to Issue Shares pursuant to Section 132D of the Act**
The Company wishes to seek a new mandate on the authority to issue shares pursuant to Section 132D of the Act at the 14th AGM of the Company (hereinafter referred to as the "**General Mandate**").

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time-consuming and costly to organise a general meeting. This authority unless revoked or varied by the Company in a general meeting, will expire at the next AGM.

The General Mandate will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment project(s), working capital and/or acquisition(s).

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 13th AGM held on 23 June 2015 and which will lapse at the conclusion of the 14th AGM.

Notice Of The 14th Annual General Meeting

(iv) **Retention as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance 2012 ("MCCG 2012")**
Datuk Adillah binti Ahmad Nordin and Mr. Siow Kee Yen were appointed as Independent Non-Executive Directors of the Company on 2 December 2002, and have served on the Board of Directors ("the Board") for a cumulative term of more than nine (9) years. In accordance with the MCCG 2012, the Board, after having assessed the independence of Datuk Adillah binti Ahmad Nordin and Mr. Siow Kee Yen, regarded them to be independent based amongst others, the following justifications and recommends that Datuk Adillah binti Ahmad Nordin and Mr. Siow Kee Yen be retained as Independent Non-Executive Directors of the Company:

a. They have met the independence guidelines as set out in Chapter 1 of Bursa Securities Main Market Listing Requirements;
b. They do not have any conflict of interest with the Company and has not been entering/are not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; and
c. The Board is of the opinion that Datuk Adillah binti Ahmad Nordin and Mr. Siow Kee Yen are important Independent Non-Executive Directors of the Board in view of their many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and have provided invaluable contributions to the Board in their role as Independent Non-Executive Directors.

(v) **Proposed Renewal of Existing Shareholders' Mandate**
The proposed adoption of the Ordinary Resolution IV is to renew the shareholders' mandate granted by the shareholders of the Company at the 13th AGM held on 23 June 2015. This proposal will enable the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the proposed Ordinary Resolution IV is set out in the Circular to Shareholders dated 29 April 2016.

(vi) **Proposed Renewal of Share Buy-Back Authority**
The proposed Ordinary Resolution V, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the aggregate of the retained profits and share premium account of the Company.

Please refer to the Share Buy-Back Statement dated 29 April 2016 for further information.

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 19 May 2016 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the Meeting.

(ii) A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provision of Section 149 (1)(b) of the Act need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualifications of the proxy.

(iii) In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.

(v) The instrument appointing a proxy must be deposited at the Registered Office at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

Corporate Information

BOARD OF DIRECTORS	: Mr. Sai Chin Hock Mr. Ang Kwee Teng Mr. See Wan Seng (Executive Directors)
	Mr. Siow Kee Yen Datuk Adillah binti Ahmad Nordin Mr. Tan Chin Hwee (Independent Non-Executive Directors)
AUDIT COMMITTEE	Mr. Siow Kee Yen (Chairman) Datuk Adillah binti Ahmad Nordin Mr. Tan Chin Hwee
NOMINATION COMMITTEE	Mr. Siow Kee Yen (Chairman) Datuk Adillah binti Ahmad Nordin Mr. Tan Chin Hwee
REMUNERATION COMMITTEE	Datuk Adillah binti Ahmad Nordin (Chairperson) Mr. Siow Kee Yen Mr. Tan Chin Hwee
COMPANY SECRETARIES	Ms. Chua Siew Chuan (MAICSA 0777689) Ms. Sean Ne Teo (LS 0008058)
REGISTERED OFFICE	No.60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka. Tel: 606-2880210 Fax: 606-2880570
CORPORATE OFFICE	No. 8998, Kawasan Perindustrian Batu Berendam, Peringkat IV, 75350 Melaka, Malaysia. Tel: 606-3355888 Fax: 606-3355999 Website: www.ornapaper.com
SHARE REGISTRAR	Tricor Investor & Issuing House Services Sdn Bhd Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 603-27839299 Fax: 603-27839222 Email: is.enquiry@my.tricorglobal.com
AUDITORS	Ernst & Young (AF 0039) Chartered Accountants Level 16-1, Jaya 99, Tower B, 99 Jalan Tun Sri Lanang, 75100 Melaka. Tel: 606-2882399 Fax: 606-2832899
PRINCIPAL BANKER	RHB Islamic Bank Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

Profile of Directors

Mr Sai Chin Hock

Age	: 66
Nationality	: Malaysian
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	: None
Securities holding in the Company and its subsidiaries	: Direct – 4,057,986 shares
	: Indirect – 19,094,212 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 10 years	: None

Mr Ang Kwee Teng

Age	: 65
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: -
Work experience	: Director of Ornapaper Industry (M) Sdn Bhd (since1995)
Directorship in other Public Companies	: None
Securities holding in the Company and its subsidiaries	: 10,000 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 10 years	: None

Profile of Directors

Mr See Wan Seng

Age	: 68
Nationality	: Malaysian
Designation / Position in the Company	: Executive Director
Date of appointment	: 2 December 2002
Qualification	: Bachelor of Commerce Degree from Nanyang University Singapore
Work experience	: Director & General Manager of Carton Box Industrial (M) Sdn Bhd (1990 to 1996); Director of Ornapaper Industry (M) Sdn Bhd (1995 to 2008, rejoined from 2010 to present); Director of Tripack Packaging (M) Sdn Bhd (2004 to 2008, rejoined since 2010)
Directorship on other Public Companies	: None
Securities holding in the Company and its subsidiaries	: Nil
Family relationship with any director and / or major shareholders of the Company	: None
Conflict of interest with the Company	: None
List of Conviction for offences within the past 10 years	: None

Mr Tan Chin Hwee

Age	: 49
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director; Members 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 Secretary Sdn Bhd (2015 - present)
Directorship in other Public Companies	: 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 10 years	: None

Profile of Directors

Mr Siow Kee Yen

Age	: 45
Nationality	: Malaysian
Designation / Position in the Company	: Independent Non-Executive Director; Chairman of Audit Committee and Nomination Committee; and member of Remuneration Committee
Date of appointment	: 2 December 2002
Qualification	: Member of Malaysian Institute of Accountants; Honours Degree in Bachelor of Accountancy
Work experience	: Audit Senior in Arthur Andersen & Co. (1996-1999); Audit Manager with Chin & Co. (2000-2001); Partner of KY Siow & Co. (since 2001)
Directorship in other Public Companies	: None
Securities holding in the Company and its subsidiaries	: 30,500 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 10 years	: None

Datuk Adillah binti Ahmad Nordin

Age	: 46
Nationality	: Malaysian
Designation/ Position in the Company	: Independent Non-Executive Director; Chairperson of Remuneration Committee; members of Audit Committee and Remuneration Committee
Date of appointment	: 2 December 2002
Qualification	: LL.B (Honours)
Work experience	: English Bar & Malaysian Bar (1993 &1994); Advocate & Solicitor with Adillah A. Nordin (present)
Directorship in other Public Companies	: None
Securities holding in the Company and its subsidiaries	: 34,000 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 10 years	: None

Letter to Shareholders

Dear valued shareholders,

On behalf of the Board of Directors ("the Board") of Ornapaper Berhad ("ORNA"), I am pleased to present the Annual Report and the Audited Financial Statements of the Company and its group of companies for the financial year ended 31 December 2015.

Our Vision

To be a leading company providing packaging solutions.

Our Mission

To provide state-of-art products and quality services. To continually develop customer relationship by meeting their needs and enhancing partnership.

Performance And Financial Review

For the financial year ended 31 December 2015, the Group's turnover decreased by 11.84% to RM241.3 million from RM273.7 million recorded in financial year ended 31 December 2014.

The Group's after tax decreased by 26.48% to RM7.19 million from RM9.78 million registered in previous year due to decrease in turnover.

The Group's basic earnings per ordinary share is 9.5 sen as compared to 13.0 sen in year 2014. Our NTA per share has improved to RM1.86 from RM1.79 in year 2014.

Prospects For The Year 2016

The Group expects the business performance to be very challenging in 2016 due to global economy uncertainty. The packaging industries will remain competitive. The rising raw material cost and other operating costs coupled with the weakening of Ringgit Malaysia remain the key challenges which will affect the cost sustainability of our products.

Despite the less encouraging business environment, the Group will continue with the marketing strategies to maintain its market share and focus to improve operating efficiency and productivity to enhance profit margin in the challenging business environment.

Human Capital Development

Human resource is the most valuable asset to the Group. The commitment and dedication of the staff is certainly a feature of our business continuation and expansion. With this in mind, the Group continually nurtures its employee to provide them with relevant knowledge and technical skills. We also endeavour to provide attractive career opportunities and just compensation.

Acknowledgement and Appreciation

On behalf of the Board, I extend our heartfelt thanks to the Management and staff for their continued loyalty and commitment in discharging their duties.

The Group would also wish to thank to our valued customers, suppliers, bankers and shareholders for their support throughout the year.

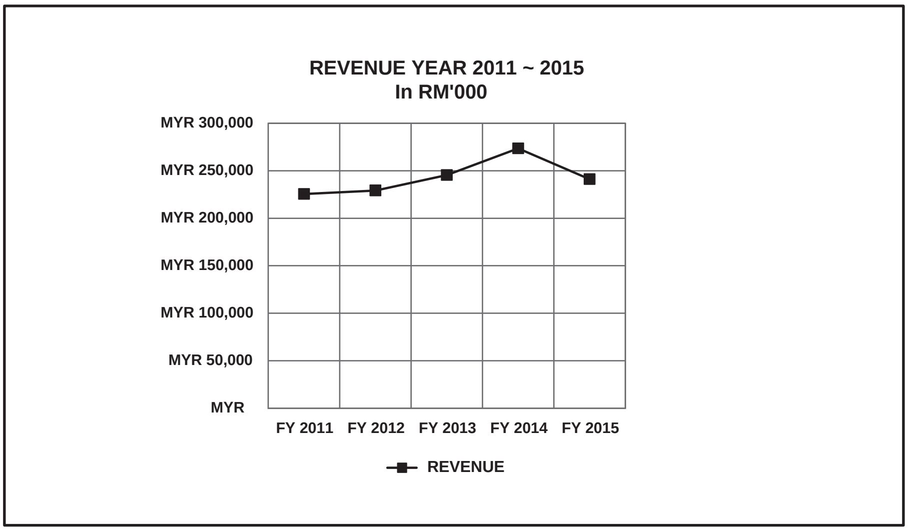
Last but not least, my special thanks to my fellow Board members for their counsel, invaluable contribution and guidance granted in the past year and I look forward to their support in the future.

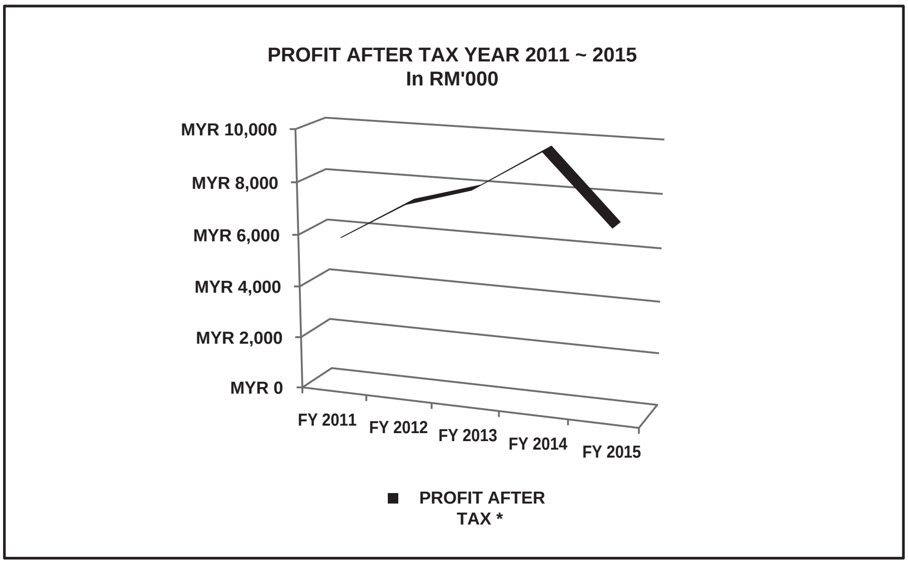
Mr Sai Chin Hock
Executive Director

Financial Highlights

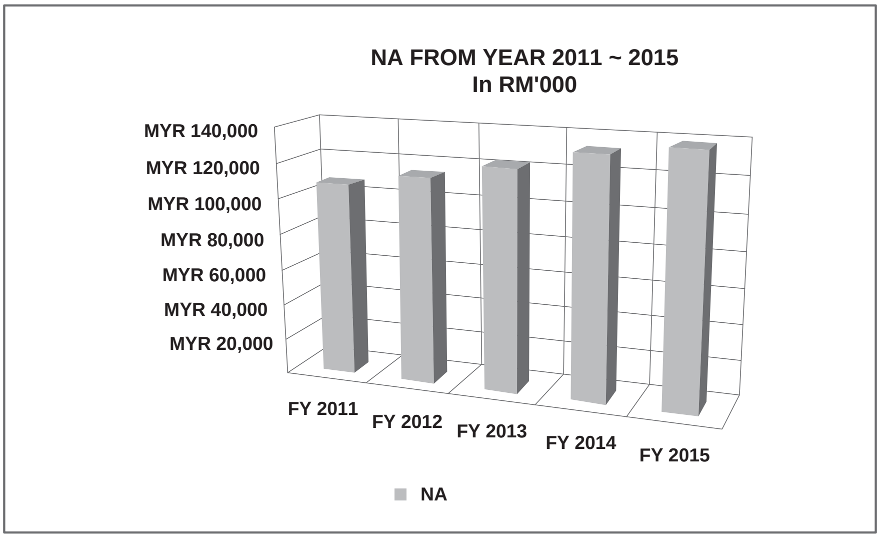
In RM'000 (unless otherwise stated)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
REVENUE	225,668	229,336	245,625	273,696	241,287
GROSS PROFIT	38,449	41,557	45,251	51,325	43,048
PROFIT AFTER TAX *	5,801	7,285	8,032	9,643	7,040
NA	108,161	115,117	123,238	132,949	138,215
NA PER SHARE (RM)	1.44	1.55	1.66	1.79	1.86
EPS BASIC (SEN) *	7.70	9.80	10.80	13.00	9.50

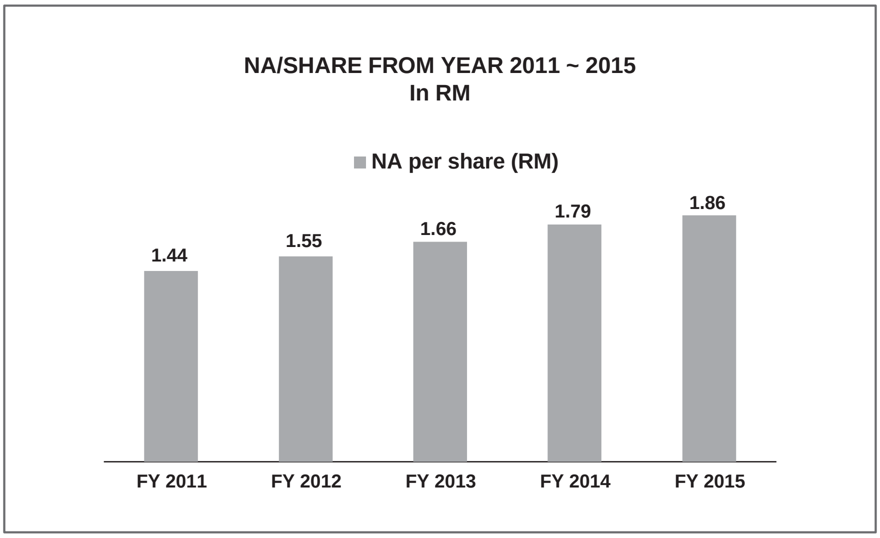
* Attributable to Owners of Parent.

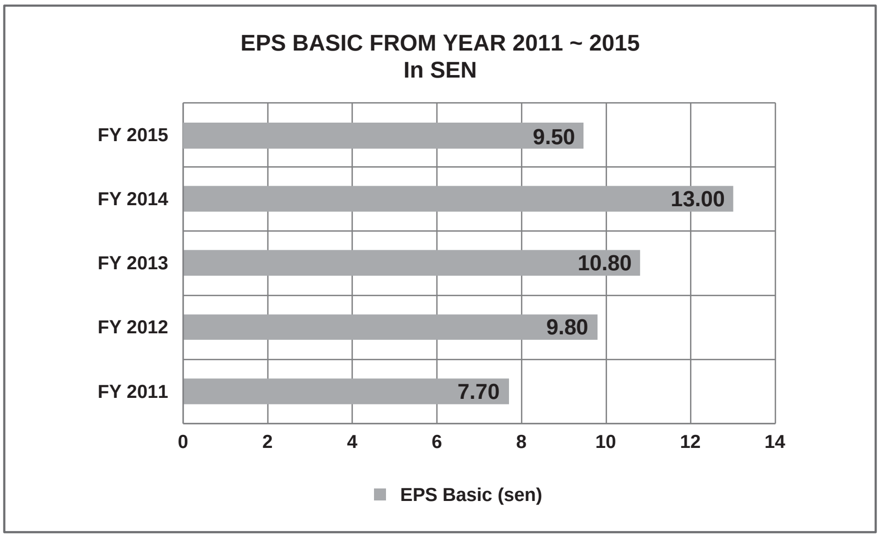




Financial Highlights







Corporate Governance Statement

The Board of ORNA recognizes and subscribes to the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"). The Board is firmly committed that accountability and transparency at every level of the organisation is essential in safeguarding assets, enhancing shareholders' value and maintaining strong financial performance.

The Board is pleased to provide the following statement which outlines the main corporate governance that has been in place throughout the financial year ended 31 December 2015.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear Functions of the Board and Management

The Board is responsible for oversight of the Company. Key matters reserved for the Board's approval include the following:

- Approval of financial results
- Dividend policy
- Issuance of new securities
- Annual business plan
- Annual financial budget
- Acquisition or disposal of material fixed assets
- Acquisition or disposal of group companies

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the Board's authorities and discretion on the Executive Directors, representing the Management, as well as to properly constituted Board Committees. 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 that the Company achieves strong financial performance for each financial year, and more importantly delivers long-term and sustainable value to stakeholders.

The Board Committees are entrusted with specific responsibilities to oversee the Company's affairs, in accordance with their respective Terms of References. At each 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.

THE BOARD OF DIRECTORS

a) Composition of the Board

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

The Board comprises six (6) members of which three (3) are Executive Directors and three (3) are Independent Non-Executive Directors. With the composition of the Board, ORNA complies with the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") with regard to the constitution of the Board and the required ratio of Independent Directors.

Corporate Governance Statement

The Board composition is appropriate in terms of its membership and size. The Board is of the view that the current mix of skills, experience and knowledge are well reflect the requirement in the paper packaging industry, and also professionals with diverse knowledge in the areas of accounting, legal and general management.

The Independent Non-Executive Directors provide objective and independent judgement to facilitate balance leadership of the Group as well as to safeguard interest of the minority shareholders and other stakeholders by ensuring the highest standard of conduct and integrity are maintained by the Group; contributes significantly in areas such as policy and strategy, performance monitoring as well as improving governance and controls.

Profile of individual Directors are set out in pages 8 to 10 of this Annual Report.

One of the recommendations of the MCCG 2012 is that the tenure of an independent director should not exceed a cumulative of nine(9) years. Amongst the Board members, Mr. Siow Kee Yen and Datuk Adillah binti Ahmad Nordin have served on the Board for more than thirteen (13) years. Pursuant to Recommendation 3.3 of MCCG 2012, and notwithstanding their long tenure in office, the Nomination Committee and the Board based on the review and assessment is unanimous in its opinion that their independence have not been compromised or impaired in any way and they have met the independence guidelines as set out in Chapter 1 of the Listing Requirements.

The Board, therefore, considers them to be independent and recommends to the shareholders that they should be retained as Independent Non-Executive Directors at the forthcoming 14th Annual General Meeting.

b) Duties and Responsibilities of the Board

The Board is responsible for the overall corporate governance of the Group, including its strategic plan, overall management and business performance, management of principal risks and controls. The Board is responsible for establishing corporate goals and providing the strategic direction for the Company. The Board also plays the critical role in ensuring that sound and prudent policies and practices are in place and performs the oversight role on the management of the Company's business.

The Board reserves certain power for itself and delegates certain matters, such as day-to-day management of the Company to the Executive Directors and the Management Committee ("MC"). Such delegations are subject to strict approving authority limits. The MC comprises heads of departments within the Group.

The Board has also delegated certain responsibilities to several Board Committees such as the Audit Committee, Nomination Committee and Remuneration Committee which operate within clearly defined terms of reference.

Corporate Governance Statement

c) Company Secretaries

The Company Secretaries are responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries advise the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements.

The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Code of Ethics for Company Secretaries is adopted and the Board ensures that the Company Secretaries appointed have the relevant experiences and skills.

d) Supply of Information

All the Directors are notified of the Board meetings within stipulated time prior to the meetings date. Board papers together with the agenda are circulated to all the Directors prior to Board Meetings. This is to ensure that the Directors are given sufficient time to read the Board papers before the Board Meetings and enable all Directors to discuss the issues to be raised at the meetings as well as discharge their duties appropriately.

All the Directors have direct access to the Senior Management and the services of the Company Secretaries. In addition, the Directors may seek independent professional advice at the Company's expense on specific issues to enable it to discharge their duties in relation to matters being deliberated.

e) Board Charter

The Board Charter is currently being drafted and will be posted on the Company's website after the Board's approval. In the course of establishing a board charter, the Board recognizes the importance to set out the key values, principles and ethos of the Company, as policies and strategy development are based on these considerations. The Board Charter is expected to include the division of responsibilities and powers between the board and management as well as the different committees established by the Board.

f) Board Meetings

The Board meets quarterly to review its quarterly performances and discuss new strategies. Additional meetings will be called when necessary. During the financial year ended 31 December 2015, five (5) meetings have been held and attendance of each of the Directors are as follows:-

Names of Directors	Number of Meetings Attended
Ang Kwee Teng	5/5
Sai Chin Hock	5/5
See Wan Seng	5/5
Tan Chin Hwee	5/5
Siow Kee Yen	5/5
Datuk Adillah binti Ahmad Nordin	5/5

In the interval between Board meetings, for exceptional matters requiring urgent Board decisions, Boards approval are sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision to be made.

Corporate Governance Statement

g) Appointment to the Board and Re-election of the Directors

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

The Directors who are standing for re-election at the forthcoming 14th Annual General Meeting of the Company to be held on 27 May 2016 are as stated in the Notice of the 14th Annual General Meeting.

The Directors observe the recommendation of the MCCG 2012 that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

h) Directors Training

The Directors are mindful that they should receive continuous training in order to broaden their perspectives and equip them with the necessary skills to carry out their roles effectively as Directors in discharging their responsibilities towards corporate governance, operational and regulatory issues.

The following are training programs, seminars and conferences attended by Directors of the Company during the financial year ended 31 December 2015:

No.	Director	Date	Topics
1.	Sai Chin Hock	21.12.2015	GST - Working Towards Achieving "Zero Non-Compliance" and Be Ready For Audit
2.	Ang Kwee Teng	21.12.2015	GST - Working Towards Achieving "Zero Non-Compliance" and Be Ready For Audit
3.	See Wan Seng	21.12.2015	GST - Working Towards Achieving "Zero Non-Compliance" and Be Ready For Audit
4.	Siow Kee Yen	30.03.2015	Analysis of Recent Tax Cases
		28.05.2015	GST Seminar for Property Developers
		29.07.2015	Maximising on Capital Expenditure
		25 & 26.08.2015	National Tax Conference
		13.10.2015	The Malaysian Private Entities Reporting Standards (MPERS) Outreach Programme
		15 &16.10.2015	Seminar on Training from PERS to MPERS
		04.11.2015	2016 Budget Seminar
		05.11.2015	Seminar Percukaian Kebangsaan 2015
		21.12.2015	GST - Working Towards Achieving "Zero Non-Compliance" and Be Ready For Audit
5.	Datuk Adillah binti Ahmad Nordin	02.07.2015	Handholding GST - Professional Sector
		01.10.2015	Seminar Pelaksanaan Akta Hakmilik Strata 1985, Pindaan 2013 [A1450] & Akta Pengurusan Strata [A757]
		21.12.2015	GST - Working Towards Achieving "Zero Non-Compliance" and Be Ready For Audit
6.	Tan Chin Hwee	16.06.2015	Program Kerjasama Strategik SSM Melaka Bersama Setiausaha Syarikat Negeri Melaka Bil. 2/2015
		13.08.2015	GST Post-Implementation Issues
		14.08.2015	Mapping of GST Tax Codes and Input Tax Claims
		13.10.2015	The Malaysian Private Entities Reporting Standards (MPERS) Outreach Programme
		21.12.2015	GST - Working Towards Achieving "Zero Non-Compliance" and Be Ready For Audit

Corporate Governance Statement

The Directors will continue to participate in other training programmes to keep abreast with latest development in the capital markets, relevant changes in laws and regulations and on corporate governance matters, from time to time. The Directors are briefed by the Company Secretaries on letters and circulars issued by Bursa Malaysia Berhad at board meetings.

i) Board Committees

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

The Board has established the following Committees to assist the Board in execution of its responsibilities:-

(i) Audit Committee

The composition and terms of reference of the Audit Committee are detailed in the Audit Committee Report appearing in pages 25 to 28 of this Annual Report.

(ii) Nomination Committee

The Nomination Committee comprises the following three (3) Independent Non-Executive Directors:-

Siow Kee Yen	(Chairman)
Datuk Adillah binti Ahmad Nordin	(Member)
Tan Chin Hwee	(Member)

The terms of office and performance of the Nomination Committee shall be for a period of three (3) years and may be re-nominated and appointed by the Board from time to time. The terms of reference of the Nomination Committee are being clearly defined. The Nomination Committee met once during the financial year under review.

The duties and responsibilities of the Nomination Committee are as follows:

- To recommend candidates for all directorship to the Board of Directors. In making its recommendations, the Nomination Committee would consider the candidates':
  - Skills, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - in the case of the candidates for the position of independent non-executive Directors, the Nomination Committee would evaluate the candidates' ability to discharge such responsibilities / functions as expected from independent non-executive Directors.
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or Shareholder.
- To recommend to the Board the nominees to fill the seats on the committees of the Board.

Corporate Governance Statement

- To assess the effectiveness of the Board as a whole and each individual Directors / committee of the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions to be properly documented.

- To act in line with the directions of the Board.

- To consider and examine such other matters as the members of the Nomination Committee consider appropriate.

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

Gender Diversity

The Board is supportive of gender diversify in the boardroom as recommended by MCCG 2012. Presently, there is one(1) female Director on the Board of the Company and the Company continues to promote the representation of women in the composition of the Board.

(iii) Remuneration Committee

The Board has set up a Remuneration Committee comprises the following three (3) Independent Non-Executive Directors:-

Datuk Adillah binti Ahmad Nordin	(Chairperson)
Siow Kee Yen	(Member)
Tan Chin Hwee	(Member)

The terms of office and performance of the Remuneration Committee shall be for a period of three (3) years and may be re-nominated and appointed by the Board from time to time. The Terms of reference of the Remuneration Committee are being clearly defined. The Remuneration Committee met twice during the financial year under review.

The Remuneration Committee is responsible for reviewing annually and recommending to the Board, the remuneration packages of the Executive Directors. In making its recommendation, the Remuneration Committee adheres to the principle of remunerating based on the Group's performance as well as individual performance. The Remuneration Committee does not possess the authority to make decisions on behalf of the Board. Its role is merely that of making recommendations for the Board's approval.

The range of remuneration received by the Directors for the financial year ended 31 December 2015 is set out in the Notes to the Financial Statements.

All Directors are paid meeting allowances for their attendance at Board and Board Committee meetings.

j) Directors Remuneration

The Company shall ensure the level and make-up of remuneration is sufficient to attract and retain the Directors needed to run the Company successfully. Currently, the Remuneration Committee assesses the Executive Directors' remuneration packages so as to recommend the Executive Directors' remuneration packages to the Board for approval. The Executive Directors shall abstain from participating in the discussion with respect to their remuneration packages. Details of the Directors' remuneration for the financial year ended 31 December 2015 are disclosed in page 79 of this Annual Report.

The Executive Directors' remuneration comprises basic salary, Directors' fees and allowances. Other customary benefits to the Group are made available as appropriate. Any salary reviews will take into account market rates and the performance of the individual and the Group.

Non-Executive Directors' remuneration comprises fees and allowances. Determination of such remuneration is balanced with their expected roles and responsibilities. The Board maintains the current remuneration for each category of Directors commensurate with that adopted by companies of similar standing, and is sufficient to attract and retain Directors of high caliber.

The Board has considered the disclosure of details of the remuneration of each Director and is of the view that the transparency and accountability aspects of Corporate Governance as applicable to Director's Remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements.

ACCOUNTABILITY AND AUDIT

a) Compliance with Applicable Financial Reporting Standards

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

The quarterly results and annual financial statements are reviewed by the Audit Committee and recommended to the Board for approval before releasing to the public, via Bursa LINK. The Audit Committee also reviews the appropriateness of the Company's and Group's accounting policies and the changes to these policies as well as ensures the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable accounting standards.

b) Internal Control

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 Statement on Risk Management and Internal Control pursuant to Chapter 15.26(b) of the Listing Requirements is set out in pages 29 to 32 of this Annual Report.

Corporate Governance Statement

c) Assessment of Suitability and Independence of External Auditors

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors. It is the policy of the Audit Committee to meet with the external auditors to discuss their audit plan, audit findings and the Company's financial statements. At least one of these meetings is held without the presence of the Executive Directors and the Management. The Audit Committee also meets with the external auditors additionally whenever it deems necessary. In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

d) Internal Audit Function

The Group has outsourced its Internal Audit to assist the Audit Committee in the discharge of its duties and responsibilities. The Internal Audit function includes evaluation of the processes by which significant risks are identified, assessed and managed. Such audits are carried out to ensure instituted controls are appropriate, effectively applied and within acceptable risk exposures consistent with the Group's risk management policy.

The total cost incurred was RM29,639.15

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

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 long-term relationships with shareholders and potential investors through appropriate channels for the management and disclosure of information.

These investors are provided with sufficient business, operations and financial information on the Group to enable them to make informed investment decisions.

The Company's website has a "Contact Us" section where shareholders and potential investors may direct their enquiries on the Company. The Company's customer services team will endeavour to reply to these queries in the shortest possible time.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website provides all relevant information on the Company and is accessible by the public. The Investor Relations section enhances the Investor Relations function by including analyst reports, all announcements made by the Company, annual reports as well as the corporate and governance structure of the Company.

Corporate Governance Statement

The announcement of the quarterly financial results is also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

The Company provides information to the shareholders with regard to, amongst others, details of the Annual General Meeting, their entitlement to attend the Annual General Meeting, the right to appoint a proxy and also the qualifications of a proxy.

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

Encourage Poll Voting

There will not be any substantive resolutions to be put forth shareholders' approval at the forthcoming Annual General Meeting. Nevertheless, the Company would conduct poll voting if demanded by shareholders at the general meeting.

Effective Communication And Proactive Engagement

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public. The practice of disclosure of information is not just established to comply with the requirements of the Listing Requirements pertaining to continuing disclosures, it also adopts the best practices as recommended in the MCCG 2012 with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

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 Listing Requirements.

Another key avenue of communication with its shareholders is the Company's Annual General Meeting, 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.

Corporate Governance Statement

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds
The Company did not implement any fund raising exercise during the financial year.

Share Buy-Back
During the financial year, there were no shares buy back by the Company.

Options, Warrants or Convertible Securities
The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2015.

Depository Receipt Programme
The Company did not sponsor any depository receipt programme during the financial year.

Sanctions and/ or Penalties
There were no sanctions or material penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year ended 31 December 2015.

Variance in Results
There were no material variance between the results of the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

Non-audit fees
During the financial year, there were non-audit fees amounting to RM17,000 paid by the Company and its subsidiaries to the Company's external auditors as professional fee.

Profit Guarantee
The Company did not give any profit guarantees during the financial year.

Material Contracts
During the financial year, there were no material contracts entered into by the Company or its subsidiaries, involving Directors' and major shareholders interest.

Contracts Relating to Loans
There were no material contracts relating to loans by the Company involving Directors 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 2015 are as follows:

Corporate Governance Statement

Name of Related Parties	Nature of RRPT	Aggregate value of transactions RM'000
Perfect Food Manufacturing (M) Sdn Bhd *	- Sales of corrugated carton boxes by OISB	6,657
	- Sales of stationery products by Quantum	11
	- Factory rental	160
Greatbrand Food Industries Sdn Bhd *	- Sales of corrugated carton boxes by OISB	2,145
STH Wire Industry (M) Sdn Bhd @	- Sales of corrugated carton boxes by OISB	40
	- Sales of stationery products by Quantum	2
	- Purchase of raw material by the Group	366

Notes:

* Companies in which Sai Chin Hock, a director and substantial shareholder, has interest.

@ Company in which Sai Chin Hock and his son, Sai Seak Chyuan, are directors.

Audit Committee Report

MEMBERSHIP

The members of the Audit Committee and details of attendance at the Audit Committee Meeting during the financial year ended 31 December 2015, where a total of five (5) meetings were held, are as follows:-

Name	*Designation*	*Number of Meetings Attended*
Siow Kee Yen (Chairman)	Independent Non-Executive Director	5/5
Datuk Adillah binti Ahmad Nordin	Independent Non-Executive Director	5/5
Tan Chin Hwee	Independent Non-Executive Director	5/5

TERMS OF REFERENCE

Composition of members

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

Mr.Siow Kee Yen meets the requirements of paragraph 15.09(c)(i) where he is a Chartered Accountant and a member of the Malaysian Institute of Accountant.

Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

Secretary

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

Audit Committee Report

Meeting

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without executive Board members present at least twice a year and whenever necessary.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

Objectives

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

(a) evaluate the quality of the audits performed by the internal and external auditors;

(b) provide assurance that the financial information presented by management is relevant, reliable and timely;

(c) oversee compliance with laws and regulations and observance of a proper code of conduct; and

(d) determine the quality, adequacy and effectiveness of the Group's control environment.

Audit Committee Report

Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

(a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.

(b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.

(c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).

(e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

(a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;

(b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(c) To review with the external auditor his evaluation of the system of internal controls and his audit report;

(d) To review the quarterly and year-end financial statements of the Board, focusing particularly on:-

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);

(f) To review the external auditor's management letter and management's response;

(g) To do the following, in relation to the internal audit function:-

- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;

- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(i) To report its findings on the financial and management performance, and other material matters to the Board;

(j) To consider the major findings of internal investigations and management's response;

(k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

(l) To determine the remit of the internal audit function;

(m) To consider other topics as defined by the Board; and

(n) To consider and examine such other matters as the Audit Committee considers appropriate.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

The Audit Committee is empowered to carry out the following duties during the financial year under review in accordance with its term of reference :

(a) Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.

(b) Reviewed with the external auditors, major issues arising from the audit.

(c) Reviewed the Group's internal audit plan.

(d) Reviewed the internal audit reports. The Audit Committee was briefed on the audit reports issued and on the issues raised by the Internal Auditors on various aspects of the system in operation, practices and procedures and internal controls. Special notice was taken of significant issues raised in the audit reports and that adequate corrective actions had been taken by the Operating Management to rectify the weaknesses.

Statement On Risk Management And Internal Control

INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of Bursa Securities Listing Requirements in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board is pleased to present the statement on the state of the risk management and internal controls of the Group for the financial year ended 31 December 2015.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for maintaining a sound risk management and internal control system and for reviewing their adequacy and effectiveness so as to safeguard all its stakeholders' interests and protecting the Group's assets. The system of internal controls covers inter-alia, risk assessment as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of internal controls, the system of internal controls is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

RISK MANAGEMENT

The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review. The Board had put in place risk management and internal control system in order to manage key business risks faced by the Group adequately and effectively. The duties for the identification, evaluation and management of the key business risk are delegated to the Executive Board and Senior Management.

The Group's Risk Management is embedded into key processes at all level of organisation structure whereby respective head of departments are delegated with the responsibility to continuously identify, evaluate and manage the existing and emerging risks, resulting from changes to internal and external environment, faced by the Group under their scope of responsibility by formulating and implementing adequate internal control to minimise the risk exposure identified as first line-of-defence.

The Executive Directors and Senior Management manage key business risks faced by the Group through constant communication among themselves and with respective head of departments during daily management of operation and through scheduled management meetings with changes in the key business risks faced by the Group or emergence of new key business risks are highlighted to the Executive Directors and Senior Management for deliberation and decision making. During meetings of the Board, the Executive Directors and Senior Management will bring up to the attention of the Board of changes to existing key business risks and emerging key business risks and their relevant mitigation action plans for the Board to assess the adequacy and effectiveness of such action plans, in line with the group's risk appetite and strategic objectives.

At strategic level, business strategies with risks consideration are formulated by the Executive Directors and/or Senior Management 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 the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

Statement On Risk Management And Internal Control

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

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

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are described below:

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

- Meetings of the Board and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective, and to carry out its fiduciary duties and responsibilities. Potential business strategies proposed by the Executive Directors for the Board's review and approval, after taking into risk consideration and responses.

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

- Clearly defined and structured lines of reporting and responsibility for key business units/departments within the Group.

- Policies and standard operating procedures are established to regulate key processes in compliance with International Organisation for Standardisation ("ISO") certifications.

- The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerized enterprise resource planning system, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection.

- Regular management meetings, supported by comprehensive operation reports prepared by respective departments and key indicators, to assess the Group's performance and risks for formulation and implementation of mitigating controls;

- Executive Directors' close and direct involvement in operations, regular reviews of operational data including production, and marketing and financial data; and

- Apart from the internal audit, significant control issues highlighted by the external auditors as part of their statutory audits and surveillance audit by independent consultants engaged by the Group serve as the fourth line of defence.

Statement On Risk Management And Internal Control

INTERNAL AUDIT FUNCTION

The Group relies on internal audit mechanisms to provide the management with the required level of assurance that its business is operating adequately and effectively in order to provide reasonable assurance that the business objectives of the Group are achievable.

The Group's internal audit function is outsourced to an independent professional firm who provides the Audit Committee with the assurance it requires regarding the adequacy and integrity of the Group's system of internal control. The outsourced internal audit function reports functionally to Audit Committee and administratively to the Executive Director. Internal audit plan in respect of financial year ended 31 December 2015 was drafted, after taking into consideration existing and emergent key business risks identified by the Executive Directors and/or the Senior Management and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

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

During financial year ended 31 December 2015, the internal audit function conducted two (2) cycles of internal audits in accordance to the approved internal Audit Plan. Upon the completion of the internal audit field work during the financial year, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans were presented and deliberated with the Audit Committee. Apart from the internal audit reports, updates on the implementation progress of action plans formulated per previous internal audit reports were presented to the Audit Committee during the financial year for review and deliberation.

In addition to the above, for the purpose of compliance with ISO 9001:2008 and ISO 14001:2004 Quality 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 of compliance with established ISO procedures.

ASSURANCE PROVIDED BY EXECUTIVE DIRECTORS

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

Through these board meetings, Executive Directors, being the collective body responsible for the setting and achievement of the corporate objectives and for the observance of management authorities as well as financial affairs management, provided the Board with the confirmation of adequacy and effectiveness of system of internal controls, in material aspects, to manage risk exposures deliberated during such meetings.

Statement On Risk Management And Internal Control

In line with the Guidelines, the Executive Directors, being highest ranking collective body in the Company and primarily responsible for the management of the financial affairs of the Company, have provided assurance to the Board that the Group's risk management and internal control system have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

Pursuant to paragraph 15.23 of the Bursa Securities Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2015 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and effectiveness of the systems of risk management and internal controls.

CONCLUSION

Based on the review of the risk management process and internal control system and the monitoring and review mechanism stipulated above coupled with the assurance provided by the Executive Directors, the Board is of the view that the risk management and internal control systems 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 have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

The Board recognises the need for the risk management and internal control system to be subjected to continuous review in line with the growth of the Group and the Board is committed towards striving for continuous improvements to further enhance the Group's risk management and internal control system.

Directors' Responsibility Statement In Relation to the Financial Statements

The Directors are required under the provisions of the Companies Act, 1965 to prepare financial statements as at the end of each financial year in accordance with applicable approved accounting standards and which gives a true and fair view of the state of affairs of the Group and the Comapny and their results and cash flows for each financial year.

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

The Directors are reponsible for ensuring that the Company maintains proper accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965. 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.

Financial Statements

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are manufacturing and sale of corrugated boards and carton boxes.

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

Results

	Group RM'000	Company RM'000
Profit, net of tax, attributable to:		
Owners of the Company	7,040	1,872
Non-controlling interests	148	-
	7,188	1,872

There were no material transfers to or from reserves or provisions during the financial year other than as 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.

Dividend

The amount of dividend paid by the Company since 31 December 2014 was as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Interim single tier dividend of 2.5%, declared on 12 June 2015 and paid on 8 July 2015	1,854

The directors do not recommend any final dividend to be paid in respect of the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Sai Chin Hock
See Wan Seng
Ang Kwee Teng
Siow Kee Yen
Datuk Adillah binti Ahmad Nordin
Tan Chin Hwee

Directors' Report

Directors' benefits

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.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 14 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for those transactions mentioned in Note 35 to the financial statements.

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1.1.2015	**Acquired**	**Sold**	**31.12.2015**
Direct interest				
Sai Chin Hock	4,057,986	-	-	4,057,986
Ang Kwee Teng	10,000	-	-	10,000
Siow Kee Yen	30,500	-	-	30,500
Datuk Adillah binti Ahmad Nordin	34,000	-	-	34,000
Indirect interest				
Sai Chin Hock	19,094,212	-	-	19,094,212
Ang Kwee Teng	18,634,888	-	-	18,634,888
See Wan Seng	18,634,888	-	-	18,634,888

Sai Chin Hock, Ang Kwee Teng and See Wan Seng, by virtue of their interests in shares in the Company, are also deemed interested in shares in all the Company's subsidiaries to the extent that the Company has an interest.

Other than as disclosed above, none of the other director in office at the end of the financial year had any interest in shares in the Company and its related corporations during the financial year.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; 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

Other statutory information (continued)

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

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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 would 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 which 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 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.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 March 2016.

Sai Chin Hock

See Wan Seng

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Sai Chin Hock and See Wan Seng, being two of the directors of Ornapaper Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 41 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 43 to the financial statements on page 106 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 March 2016

Sai Chin Hock

See Wan Seng

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, See Wan Seng, 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 41 to 106 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed See Wan Seng
at Melaka in the State of Melaka
on 23 March 2016

See Wan Seng

Before me,

SAIFUL BAHARIS ABDULLAH, PJK
Commissioner for Oaths

Independent Auditors' Report

Report on the financial statements

We have audited the financial statements of Ornapaper Berhad, which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 106.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 43 to the financial statements on page 106 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Lee Ah Too
2187/09/17(J)
Chartered Accountant

Melaka, Malaysia
Date: 23 March 2016

Statements of Comprehensive Income

For the year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	8	241,287	273,696	2,266	888
Cost of goods sold		(198,239)	(222,371)	-	-
Gross profit		43,048	51,325	2,266	888
Other items of income					
Interest income	9	202	118	79	50
Other income	10	1,999	2,229	-	-
Other items of expense					
Administrative expenses		(10,967)	(11,004)	(245)	(287)
Selling and marketing expenses		(16,651)	(19,778)	(6)	(9)
Other expenses		(5,973)	(6,770)	(169)	(162)
Operating profit		11,658	16,120	1,925	480
Finance costs	11	(2,348)	(3,119)	-	-
Profit before tax	12	9,310	13,001	1,925	480
Income tax expense	15	(2,122)	(3,222)	(53)	(32)
Profit, net of tax, representing total comprehensive income for the year		7,188	9,779	1,872	448
Attributable to:					
Owners of the Company		7,040	9,643	1,872	448
Non-controlling interests		148	136	-	-
		7,188	9,779	1,872	448
Earnings per share attributable to owners of the Company (sen)					
Basic	16	9.5	13.0		
Diluted	16	9.5	13.0		

The accompanying accounting policies and explanatory information form an integral part of the financial statements

Statements of Financial Position

As at 31 December 2015

	Note	Group 31.12.2015 RM'000	Group 31.12.2014 RM'000 (restated)	Group 01.01.2014 RM'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	17	97,502	103,805	101,980
Land use rights	18	4,031	4,161	4,292
Investment in subsidiaries	19	-	-	-
Goodwill	20	1,633	1,633	1,633
Deferred tax assets	29	1,872	2,182	3,697
		105,038	111,781	111,602
Current assets				
Inventories	21	35,840	32,667	33,472
Trade and other receivables	22	60,196	60,157	60,830
Other current assets	23	965	1,109	4,892
Tax recoverable		640	251	290
Derivatives	24	7	-	-
Held-to-maturity investment	25	3,740	4,153	2,566
Cash and bank balances	26	5,835	5,787	7,478
		107,223	104,124	109,528
Total assets		212,261	215,905	221,130
Equity and liabilities				
Current liabilities				
Loans and borrowings	27	35,830	42,197	51,189
Trade and other payables	28	27,244	26,224	30,205
Current tax payable		48	156	97
Derivatives	24	-	12	-
		63,122	68,589	81,491
Non-current liabilities				
Loans and borrowings	27	858	5,251	7,734
Deferred tax liabilities	29	10,066	9,116	8,667
Non-current liabilities		10,924	14,367	16,401
Total liabilities		74,046	82,956	97,892

Statements of Financial Position

As at 31 December 2015

Statements of financial position
As at 31 December 2015 (continued)

	Note	Group 31.12.2015 RM'000	Group 31.12.2014 RM'000 (restated)	Group 01.01.2014 RM'000 (restated)
Equity attributable to owners of the parent				
Share capital	30	75,251	75,251	75,251
Share premium	31	11,156	11,156	11,156
Treasury shares	32	(541)	(541)	(541)
Retained earnings	33	51,303	46,117	36,474
		137,169	131,983	122,340
Non-controlling interests		1,046	966	898
Total equity		138,215	132,949	123,238
Total equity and liabilities		212,261	215,905	221,130
Net current assets		44,101	35,535	28,037
Net assets		138,215	132,949	123,238

The accompanying accounting policies and explanatory information form an integral part of the financial statements

Statements of Financial Position

As at 31 December 2015

Statements of financial position
As at 31 December 2015 (continued)

	Note	31.12.2015 RM'000	Company 31.12.2014 RM'000 (restated)	01.01.2014 RM'000 (restated)
Assets				
Non-current assets				
Investment in subsidiaries	19	94,158	94,158	94,158
		94,158	94,158	94,158
Current assets				
Trade and other receivables	22	1,052	1,059	5
Other current assets	23	4	1	1
Tax recoverable		-	7	35
Held-to-maturity investment	25	1,543	1,500	-
Cash and bank balances	26	65	29	2,130
		2,664	2,596	2,171
Total assets		96,822	96,754	96,329
Equity and liabilities				
Current liabilities				
Trade and other payables	28	43	13	36
Current tax payable		20	-	-
		63	13	36
Total liabilities		63	13	36
Equity attributable to owners of the parent				
Share capital	30	75,251	75,251	75,251
Share premium	31	11,156	11,156	11,156
Treasury shares	32	(541)	(541)	(541)
Retained earnings	33	10,893	10,875	10,427
Total equity		96,759	96,741	96,293
Total equity and liabilities		96,822	96,754	96,329
Net current assets		2,601	2,583	2,135
Net assets		96,759	96,741	96,293

The accompanying accounting policies and explanatory information
form an integral part of the financial statements

Statements Of Changes In Equity

For the year ended 31 December 2015

	Note	Share capital RM'000	Non-distributable Share premium RM'000	Non-distributable Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
Opening balance at 1 January 2015		75,251	11,156	(541)	46,117	131,983	966	132,949
Total comprehensive income		-	-	-	7,040	7,040	148	7,188
Transactions with owners								
Dividend	34	-	-	-	(1,854)	(1,854)	-	(1,854)
Dividend paid to non-controlling interests		-	-	-	-	-	(68)	(68)
		-	-	-	(1,854)	(1,854)	(68)	(1,922)
Closing balance at 31 December 2015		75,251	11,156	(541)	51,303	137,169	1,046	138,215
Opening balance at 1 January 2014		75,251	11,156	(541)	36,474	122,340	898	123,238
Total comprehensive income		-	-	-	9,643	9,643	136	9,779
Transaction with owners								
Dividend paid to non-controlling interests		-	-	-	-	-	(68)	(68)
Closing balance at 31 December 2014		75,251	11,156	(541)	46,117	131,983	966	132,949

Statements Of Changes In Equity

For the year ended 31 December 2015

Statements of changes in equity
For the year ended 31 December 2015 (continued)

	Note	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Non-distributable Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company						
Opening balance at 1 January 2015		75,251	11,156	(541)	10,875	96,741
Total comprehensive income		-	-	-	1,872	1,872
Transaction with owners						
Dividend	34	-	-	-	(1,854)	(1,854)
Closing balance at 31 December 2015		75,251	11,156	(541)	10,893	96,759
Opening balance at 1 January 2014		75,251	11,156	(541)	10,427	96,293
Total comprehensive income		-	-	-	448	448
Closing balance at 31 December 2014		75,251	11,156	(541)	10,875	96,741

The accompanying accounting policies and explanatory information
form an integral part of the financial statements

Statements Of Cash Flow

For the year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Operating activities				
Profit before tax	9,310	13,001	1,925	480
Adjustments for:				
Bad debts written off	63	235	-	-
Depreciation and amortisation:				
- Property, plant and equipment	11,861	11,495	-	-
- Land use rights	130	131	-	-
Fair value gain on derivatives	(19)	-	-	-
Impairment loss on trade receivables	89	-	-	-
Loss/(gain) on disposal of property, plant and equipment	364	(290)	-	-
Property, plant and equipment written off	6	1,029	-	-
Reversal of allowance for impairment loss on:				
- Trade receivables	(600)	(752)	-	-
- Other receivables	-	(11)	-	-
Unrealised gain on foreign exchange	(7)	-	-	-
Interest expense	2,348	3,119	-	-
Interest income	(202)	(118)	(79)	(50)
Total adjustments	14,033	14,838	(79)	(50)
Operating cash flows before changes in working capital	23,343	27,839	1,846	430
Changes in working capital				
(Increase)/decrease in inventories	(3,173)	805	-	-
Decrease/(increase) in receivables	392	1,201	7	(1,054)
Decrease/(increase) in other current assets	383	(605)	(3)	-
Increase/(decrease) in payables	1,020	(3,969)	30	(23)
Total changes in working capital	(1,378)	(2,568)	34	(1,077)
Cash flows from/(used in) operations	21,965	25,271	1,880	(647)
Interest paid	(2,348)	(3,119)	-	-
Taxes paid	(1,399)	(1,245)	(33)	(22)
Taxes refunded	40	85	7	18
Net cash from/(used in) operating activities	18,258	20,992	1,854	(651)

Statements Of Cash Flow

For the year ended 31 December 2015

Statements of cash flows
For the year ended 31 December 2015 (continued)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Investing activities				
Purchase of property, plant and equipment	(7,403)	(11,782)	-	-
Interest received	202	118	79	50
Proceeds from disposal of property, plant and equipment	1,236	4,867	-	-
Decrease/(increase) in held-to-maturity investment	413	(1,587)	(43)	(1,500)
Net cash (used in)/from investing activities	(5,552)	(8,384)	36	(1,450)
Financing activities				
Drawdown of finance lease payables	-	2,980	-	-
Repayment of term loans	(603)	(5,843)	-	-
Repayment of finance lease payables	(6,097)	(2,704)	-	-
Decrease in short-term borrowings	(5,481)	(6,556)	-	-
Dividend paid on ordinary shares	(1,854)	-	(1,854)	-
Dividend paid to non-controlling interests	(68)	(68)	-	-
Net cash used in financing activities	(14,103)	(12,191)	(1,854)	-
Net (decrease)/increase in cash and cash equivalents	(1,397)	417	36	(2,101)
Effect of exchange rate changes on cash and cash equivalents	24	-	-	-
Cash and cash equivalents at 1 January	4,223	3,806	29	2,130
Cash and cash equivalents at 31 December (Note 26)	2,850	4,223	65	29

The accompanying accounting policies and explanatory information
form an integral part of the financial statements

Notes To The Financial Statements

For the year ended 31 December 2015

1. Corporate information

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

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are manufacturing and sale of corrugated boards and carton boxes. There have been no significant changes in the nature of these principal activities during the financial year.

2. Basis of preparation

The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on a historical basis, unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries (collectively the "Group") as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Notes To The Financial Statements

For the year ended 31 December 2015

3. Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies

4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

4. **Summary of significant accounting policies (continued)**

4.1 Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4.2 Current versus non-current classification

Assets and liabilities in statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest Level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies (continued)

4.3 Fair value measurement (continued)

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the accounting policies of the Group. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.4 Foreign currencies

(a) Functional and presentation currency

The Group's financial statements are presented in Ringgit Malaysia which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at the functional currency rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies (continued)

4.4 Foreign currencies (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

4.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group assess its revenue arrangements against specific criteria in order to determine if the Group is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(c) Management fees

Management fees are recognised when services are rendered.

4. Summary of significant accounting policies (continued)

4.5 Revenue recognition (continued)

(d) Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the profit or loss.

(e) Rental income

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

4.6 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group makes contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

4.7 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

4. **Summary of significant accounting policies (continued)**

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Notes To The Financial Statements

For the year ended 31 December 2015

(b) Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

4. Summary of significant accounting policies (continued)

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Group as lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that ownership will be obtained by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies (continued)

4.10 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	92 to 99 years
Factory buildings	18 to 60 years
Plant and machinery	5 to 20 years
Other assets	5 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.11 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies (continued)

4.12 Investment in subsidiaries

A subsidiary is an entity which the Group has all the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

(a) Raw materials: purchase costs on a weighted average basis.

(b) Finished goods and work-in-progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.14 Cash and short-term deposits

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less and highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

4. Summary of significant accounting policies (continued)

4.15 Impairment of non-financial assets

At each reporting date, an assessment is made as to whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment calculation are based on detailed budgets and forecast calculations, which are prepared separately for each CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

4. **Summary of significant accounting policies (continued)**

4.16 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(a) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. There were no financial assets designated at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

4. Summary of significant accounting policies (continued)

4.16 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when there is a positive intention and an ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

4. Summary of significant accounting policies (continued)

4.16 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Available-for-sale ("AFS") financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The ability and intention to sell its AFS financial assets in the near term are evaluated whether they are still appropriate. When, in rare circumstances, these financial assets cannot be traded due to inactive markets, these financial assets will be reclassified if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Notes To The Financial Statements

For the year ended 31 December 2015

4. **Summary of significant accounting policies (continued)**

4.16 Financial instruments (continued)

(a) Financial assets (continued)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The rights to receive cash flows from the asset have been transferred or an obligation to pay the received cash flows in full without material delay to a third party has been assumed under a 'pass-through' arrangement; and either (a) substantially all the risks and rewards of the asset have been transferred or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained but control of the asset has been transferred.

When the rights to receive cash flows from an asset have been transferred or when a pass-through arrangement has been entered into, the Group evaluates if, and the extent of, the risks and rewards of ownership that have been retained. When substantially all of the risks and rewards of the asset have not been transferred nor retained, the transferred asset continues to be recognised to the extent of the Group's continuing involvement. In that case, an associated liability is also recognised. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets

At each reporting date, an assessment is made as to whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4. **Summary of significant accounting policies (continued)**

4.16 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, an assessment is made as to whether impairment exists individually (for financial assets that are individually significant) or collectively (for financial assets that are not individually significant). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Available-for-sale ("AFS") investments

For AFS financial investments, an assessment is made at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss) is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies (continued)

4.16 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Available-for-sale ("AFS") investments (continued)

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

4. Summary of significant accounting policies (continued)

4.16 Financial instruments (continued)

(c) Financial liabilities

(ii) Subsequent measurement (continued)

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

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. No financial liability has been designated at fair value through profit or loss during the reporting period.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Notes To The Financial Statements

For the year ended 31 December 2015

4. Summary of significant accounting policies (continued)

4.16 Financial instruments (continued)

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.17 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When it is expected that some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statements of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.18 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments and are recorded at the proceeds received, net of directly attributable incremental transaction costs.

4.19 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of such equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

4.20 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and a corresponding amount is recognised directly in equity.

4. Summary of significant accounting policies (continued)

4.20 Cash dividend and non-cash distribution to equity holders of the parent (continued)

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

4.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

4.22 Segment reporting

Segment information is not disclosed as the Group operates solely in Malaysia and is principally engaged in the manufacturing and sale of one product line, that is, corrugated boards and carton boxes.

5. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014

The nature and impact of the new and amended MFRSs and IC Interpretation are described below:

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For the year ended 31 December 2015

5. Changes in accounting policies (continued)

Annual Improvements to MFRSs 2010–2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below.

Standards	Descriptions
MFRS 3 Business Combinations	The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.
MFRS 8 Operating Segments	The amendments are to be applied retrospectively and clarify that: - an entity must disclose the judgments made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and - the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The Group has not applied the aggregation criteria as mentioned above. The Group continues to present the reconciliation of segment assets to total assets.
MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets	The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group.
MFRS 124 Related Party Disclosures	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

5. Changes in accounting policies (continued)

Annual Improvements to MFRSs 2011–2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group has applied the amendments for the first time in the current year.

Standards	Descriptions
MFRS 3 Business Combinations	The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively. The Group is not a joint arrangement and thus this arrangement is not relevant to the Group.
MFRS 13 Fair Value Measurement	The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable). The Group does not apply the portfolio exception.

6. Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
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 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

Notes To The Financial Statements

For the year ended 31 December 2015

6. Standards issued but not yet effective (continued)

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:
- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Notes To The Financial Statements

For the year ended 31 December 2015

6. **Standards issued but not yet effective (continued)**

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception (continued)

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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For the year ended 31 December 2015

6. **Standards issued but not yet effective (continued)**

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

Standards	Descriptions
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	The amendment to MFRS 5 clarifies that changing from one disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.
MFRS 7 Financial Instruments: Disclosures	The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
MFRS 134 Interim Financial Reporting	MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

7. Significant accounting judgments, estimates and assumptions

The preparation of the Group's and the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

7.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any critical judgments, apart from those involving estimations, which significantly affect the amounts recognised in these financial statements.

7.2 Estimates and assumptions

The key assumptions 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, are described below. Assumptions and estimates are based on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times which such indicators exist. This required an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment and sensitivity analysis to changes in the assumptions are disclosed in Note 20.

(b) Impairment of loans and receivables

The impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history on each receivables. If the financial conditions of the receivables of the Group were to deteriorate, additional provision may be required.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 22.

7. Significant accounting judgments, estimates and assumptions (continued)

7.2 Estimates and assumptions (continued)

(c) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and its subsidiaries domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Deferred tax assets are recognised for all unutilised tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses and credits can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The carrying amount of recognised tax losses and tax credits of the Group is disclosed in Note 29.

8. Revenue

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sales of goods	241,287	273,696	-	-
Dividend income from subsidiaries	-	-	2,161	774
Management fees from subsidiaries	-	-	105	114
	241,287	273,696	2,266	888

9. Interest income

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from:				
Loans and receivables	202	118	79	50

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For the year ended 31 December 2015

10. Other income

	Group	
	2015	2014
	RM'000	RM'000
Bad debts recovered	49	580
Disposal of scrap materials	173	313
Fair value gain on derivatives	19	-
Insurance claims	102	-
Realised gain on foreign exchange	946	70
Unrealised gain on foreign exchange	7	-
Gain on disposal of property, plant and equipment	-	290
Rental from operating leases	52	196
Reversal of allowance for impairment loss on:		
- trade receivables (Note 22(a))	600	752
- other receivables (Note 22(b))	-	11
Miscellaneous	51	17
	1,999	2,229

11. Finance costs

	Group	
	2015	2014
	RM'000	RM'000
Interest expense on:		
- Bank loans and overdrafts	1,852	2,682
- Obligations under finance leases	496	437
	2,348	3,119

12. Profit before tax

The following amounts have been charged in arriving at profit before tax:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- Statutory audit				
Current year	156	156	38	38
Underprovision in prior year	-	4	-	-
- Other services provided by auditors of the Company	16	17	11	12
Bad debts written off	63	235	-	-
Carriage inwards and outwards	11,989	15,042	-	-
Depreciation and amortisation:				
- Property, plant and equipment (Note 17)	11,861	11,495	-	-
- Land use rights (Note 18)	130	131	-	-
Employee benefits expense (Note 13)	26,170	26,092	9	9
Impairment loss on trade receivables (Note 22)	89	-	-	-
Non-executive directors' remuneration (Note 14)	153	153	153	153
Operating lease:				
- Minimum lease payments on land and buildings	770	402	-	-
Loss on disposal of property, plant and equipment	364	-	-	-
Property, plant and equipment written off	6	1,029	-	-

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13. Employee benefits expense

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages and salaries	22,755	22,438	9	9
Contributions to defined contribution plans	1,859	2,035	-	-
Social security contributions	199	206	-	-
Other benefits	1,357	1,413	-	-
	26,170	26,092	9	9

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,486,000 and RM9,000 (2014: RM2,508,000 and RM9,000) respectively as further disclosed in Note 14.

14. Directors' remuneration

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive directors				
Directors of the Company:				
- Fees	489	292	-	-
- Salaries and other emoluments	1,316	1,563	9	9
- Defined contribution plans	82	97	-	-
	1,887	1,952	9	9
Other directors of subsidiaries:				
- Salaries and other emoluments	533	495	-	-
- Defined contribution plans	66	61	-	-
	599	556	-	-
Total executive directors' remuneration (Note 13)	2,486	2,508	9	9
Estimated money value of benefits-in-kind	10	-	-	-
Total executive directors' remuneration (including benefits-in-kind)	2,496	2,508	9	9
Non-executive directors (Note 12)				
Directors of the Company:				
- Fees	144	144	144	144
- Other emoluments	9	9	9	9
	153	153	153	153
Total directors' remuneration	2,649	2,661	162	162

The number of directors of the Company who held office during the financial year, whose total annual remuneration received from the Group that fell within the following bands is analysed below:

	2015	2014
Executive directors		
RM200,001 to RM250,000	1	1
RM800,001 to RM850,000	2	-
RM850,001 to RM900,000	-	2
Non-executive directors		
RM50,001 to RM100,000	3	3

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15. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Statements of comprehensive income:		
Current income tax:		
- Malaysian income tax	984	1,249
- (Over)/under provision in prior years	(122)	9
	862	1,258
Deferred tax (Note 29):		
- Origination and reversal of temporary differences	1,641	1,979
- Relating to reduction in Malaysian income tax rate	(387)	-
- Under/(over) provision in prior years	6	(15)
	1,260	1,964
Income tax expense recognised in profit or loss	2,122	3,222

	Company	
	2015	**2014**
	RM'000	**RM'000**
Statements of comprehensive income:		
Current income tax:		
- Malaysian income tax	42	32
- Under provision in prior years	11	-
Income tax expense recognised in profit or loss	53	32

Notes To The Financial Statements

For the year ended 31 December 2015

15. Income tax expense (continued)

Reconciliation between tax expenses and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Profit before tax	9,310	13,001	1,925	480
Taxation at 25% (2014: 25%)	2,328	3,250	481	120
Reduction in Malaysian income tax rate on deferred tax	(387)	-	-	-
Tax effect of:				
- Non-deductible expenses	539	417	101	105
- Non-taxable income	(160)	(142)	(540)	(193)
Balancing charge arising from control transfer disposal of property, plant and equipment not subject to tax	-	(297)	-	-
Claw back of capital allowances	(82)	-	-	-
(Over)/under provision in prior years:				
- Income tax	(122)	9	11	-
- Deferred tax	6	(15)	-	-
Income tax expense recognised in profit or loss	2,122	3,222	53	32

Domestic current income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. The Malaysian corporate income tax rate is expected to reduce from 25% to 24% with effect from year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected these changes.

The following amounts are available for offset against future taxable income:

	Group	
	2015 RM'000	**2014 RM'000**
Unutilised tax losses	2,145	2,144
Unabsorbed capital allowances	-	1,188
Unabsorbed reinvestment allowances	5,349	5,396
	7,494	8,728

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16. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

Diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary shares outstanding during the year.

	Group	
	2015	**2014**
Profit, net of tax, attributable to owners of the parent (RM'000)	7,040	9,643
Weighted average number of ordinary shares in issue ('000)	74,153	74,153
Basic earnings per share (sen)	9.5	13.0
Diluted earnings per share (sen)	9.5	13.0

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

17. Property, plant and equipment

	Leasehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Other assets RM'000	Construction in progress RM'000	Total RM'000
Group						
Cost						
At 1 January 2014	11,542	44,010	114,434	9,335	-	179,321
Additions	-	870	14,166	3,890	-	18,926
Disposals	(2,583)	(2,919)	(363)	(736)	-	(6,601)
Written off	-	-	(6,215)	(415)	-	(6,630)
At 31 December 2014 and 1 January 2015	8,959	41,961	122,022	12,074	-	185,016
Additions	-	346	1,978	659	4,181	7,164
Disposals	-	-	(2,329)	(340)	-	(2,669)
Written off	-	-	(330)	(93)	-	(423)
Reclassification	-	-	2,738	(2,738)	-	-
At 31 December 2015	8,959	42,307	124,079	9,562	4,181	189,088

17. Property, plant and equipment (continued)

	Leasehold land RM'000	Factory buildings RM'000	Plant and machinery RM'000	Other assets RM'000	Construction in progress RM'000	Total RM'000
Group (continued)						
Accumulated depreciation						
At 1 January 2014	1,881	13,170	55,943	6,347	-	77,341
Charge for the year (Note 12)	128	1,154	9,304	909	-	11,495
Disposals	(508)	(560)	(268)	(688)	-	(2,024)
Written off	-	-	(5,351)	(250)	-	(5,601)
At 31 December 2014 and 1 January 2015	1,501	13,764	59,628	6,318	-	81,211
Charge for the year (Note 12)	94	1,150	9,632	985	-	11,861
Disposals	-	-	(731)	(338)	-	(1,069)
Written off	-	-	(327)	(90)	-	(417)
Reclassification	-	-	90	(90)	-	-
At 31 December 2015	1,595	14,914	68,292	6,785	-	91,586
Carrying amounts						
At 31 December 2014	7,458	28,197	62,394	5,756	-	103,805
At 31 December 2015	7,364	27,393	55,787	2,777	4,181	97,502

17. Property, plant and equipment (continued)

(a) The leasehold land and factory buildings and certain plant and machinery are pledged as securities for bank borrowings as disclosed in Note 27.

(b) Other assets comprise motor vehicles, office equipment, furniture, fittings and office renovation.

(c) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM7,164,000 (2014: RM18,926,000) by means of:

	31.12.2015 RM'000	31.12.2014 RM'000
Advanced payment to suppliers	491	252
Obligations under finance leases	-	2,756
	491	3,008

The cash outflow on acquisition of property, plant and equipment amounted to RM7,403,000 (2014: RM11,782,000).

(d) The carrying amounts of motor vehicles, plant and machinery held under finance leases at the reporting date were RM3,135,000 (2014: RM14,264,000).

18. Land use rights

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
Cost		
At 1 January / 31 December	5,535	5,535
Accumulated amortisation		
At 1 January	1,374	1,243
Amortisation (Note 12)	130	131
At 31 December	1,504	1,374
Carrying amount	4,031	4,161
Amount to be amortised:		
- Not later than one year	130	130
- Later than one year but not later than 5 years	522	522
- Later than 5 years	3,379	3,509

The above properties are pledged as securities for bank borrowings as referred to in Note 27.

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19. Investment in subsidiaries

	Company	
	31.12.2015 RM'000	31.12.2014 RM'000
Unquoted shares at cost	94,158	94,158

(a) Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of subsidiaries	Principal activities	Proportion of ownership interest 31.12.2015	Proportion of ownership interest 31.12.2014
Ornapaper Industry (M) Sdn. Bhd.	Manufacturing and sale of corrugated boards and carton boxes	100%	100%
Ornapaper Industry (Batu Pahat) Sdn. Bhd.	Manufacturing and sale of corrugated boards and carton boxes	100%	100%
Ornapaper Industry (Perak) Sdn. Bhd.	Manufacturing and sale of corrugated boards and carton boxes	100%	100%
Quantum Rhythm Sdn. Bhd. #	Manufacturing of paper based stationery products and trading in corrugated carton boxes	100%	100%
Tripack Packaging (M) Sdn. Bhd. #	Manufacturing and sale of carton boxes	100%	100%
Ornapaper Industry (Johor) Sdn. Bhd. #	Manufacturing and sale of carton boxes	80%	80%

\# Not audited by Ernst & Young

(b) **Material partly-owned subsidiary**

Financial information of a subsidiary, Ornapaper Industry (Johor) Sdn. Bhd., which has material non-controlling interest is set out as follows. The summarised financial information presented below is the amount before inter-company elimination.

Notes To The Financial Statements

For the year ended 31 December 2015

19. Investment in subsidiaries (continued)

(b) Material partly-owned subsidiary (continued)

(i) Summarised statement of financial position

	31.12.2015 RM'000	31.12.2014 RM'000
As at 31 December		
Non-current assets	4,145	4,472
Current assets	9,517	10,193
Total assets	13,662	14,665
Non-current liabilities	(527)	(994)
Current liabilities	(7,909)	(8,844)
Total liabilities	(8,436)	(9,838)
Net assets	5,226	4,827
Equity attributable to owners of the Company	4,180	3,861
Non-controlling interest	1,046	966

(ii) Summarised statement of comprehensive income

	31.12.2015 RM'000	31.12.2014 RM'000
Revenue	28,666	30,238
Profit for the year	738	679
Profit attributable to:		
- Owners of the Company	590	543
- Non-controlling interest	148	136

(iii) Summarised statement of cash flows

	31.12.2015 RM'000	31.12.2014 RM'000
Cash inflows from operating activities	468	1,814
Cash outflows used in investing activities	(360)	(430)
Cash outflows used in financing activities	(788)	(673)
Net (decrease)/increase in cash and cash equivalents	(680)	711
Cash and cash equivalents at the beginning of the year	1,166	455
Cash and cash equivalents at the end of the year	486	1,166

20. Goodwill

Impairment tests for goodwill

Goodwill arising from business combinations has been allocated to two individual CGUs identified according to the subsidiaries for impairment testing, the carrying amount of which are as follows:

	Group	
	31.12.2015 RM'000	31.12.2014 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 recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections of financial budgets approved by management covering a 5 year period. The pre-tax discount rate applied to the cash flow projections and the forecast growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	OIP		OIJ	
	2015	2014	2015	2014
Budgeted gross margins	20%	24%	16%	16%
Growth rate	2%	3%	5%	5%
Pre-tax discount rate	7%	9%	7%	9%

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins - Gross margins are based on average values achieved in the 3 years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Growth rates - The forecast growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates - Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining the appropriate discount rates for each CGU, regard has been given to the yield on a 10 year government bond at the beginning of the budgeted year.

Market share assumptions - These assumptions are important because, as well as using industry data for growth rates (as noted above), management assesses how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the electronics and related market on which the Group's products are dependent upon, to be stable over the budget period.

Sensitivity to changes in assumptions - With regard to the assessment of value-in-use of CGUs, the management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the CGUs to materially exceed their recoverable amounts.

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For the year ended 31 December 2015

21. Inventories

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
At cost:		
Raw materials and consumables	29,482	26,304
Work-in-progress	1,069	755
Finished goods	5,289	5,608
	35,840	32,667
Cost of inventories recognised as an expense	157,095	172,334

22. Trade and other receivables

	Group		Company	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Trade receivables				
Third parties	57,473	57,661	-	-
Company in which a director has interest	2,818	-	-	-
	60,291	57,661	-	-
Allowance for impairment				
- Third parties	(879)	(1,390)	-	-
Trade receivables, net	59,412	56,271	-	-
Other receivables				
Third parties	1,261	4,417	5	-
Subsidiaries				
- interest bearing at 3% per annum	-	-	1,045	1,057
Sundry deposits	248	194	2	2
	1,509	4,611	1,052	1,059
Allowance for impairment				
- Third parties	(725)	(725)	-	-
Other receivables, net	784	3,886	1,052	1,059
Total trade and other receivables	60,196	60,157	1,052	1,059
Total trade and other receivables	60,196	60,157	1,052	1,059
Add: Cash and bank balances (Note 26)	5,835	5,787	65	29
Total loans and receivables	66,031	65,944	1,117	1,088

Notes To The Financial Statements

For the year ended 31 December 2015

22. Trade and other receivables (continued)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 150 (2014: 30 to 120) days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	31.12.2015	**31.12.2014**
	RM'000	**RM'000**
Neither past due nor impaired	43,142	42,415
1 to 30 days past due not impaired	11,669	8,428
31 to 60 days past due not impaired	2,811	2,846
More than 61 days past due not impaired	1,790	2,582
Total past due not impaired	16,270	13,856
Impaired	879	1,390
	60,291	57,661

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of these trade receivables have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are active accounts which the management considers to be recoverable. These receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

Trade receivables that are determined to be individually impaired relate to those debtors that are in significant financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade receivables that are individually impaired and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	31.12.2015	**31.12.2014**
	RM'000	**RM'000**
Individually impaired		
Trade receivables - nominal amounts	879	1,390
Less: Allowance for impairment	(879)	(1,390)
	-	-

Notes To The Financial Statements

For the year ended 31 December 2015

22. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are impaired **(continued)**

Movement in allowance accounts:

	Group	
	2015	**2014**
	RM'000	**RM'000**
At 1 January	1,390	2,142
Charge for the year (Note 12)	89	-
Reversal of impairment losses (Note 10)	(600)	(752)
At 31 December	879	1,390

(b) Other receivables

Subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand. Further details on related party transactions are disclosed in Note 35.

Other receivables that are impaired

Other receivables that are individually determined to be impaired relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables that are individually impaired and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	31.12.2015	**31.12.2014**
	RM'000	**RM'000**
Individually impaired		
Other receivables - nominal amounts	725	725
Less: Allowance for impairment	(725)	(725)
	-	-

Movement in allowance accounts:

	Group	
	2015	**2014**
	RM'000	**RM'000**
At 1 January	725	736
Reversal of impairment losses (Note 10)	-	(11)
At 31 December	725	725

Other information on financial risks of trade and other receivable are disclosed in Note 39.

23. Other current assets

	Group		Company	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Advance payments to suppliers of property, plant and equipment	491	252	-	-
Goods and services tax receivables	3	-	3	-
Prepayments	471	857	1	1
	965	1,109	4	1

24. Derivatives

	31.12.2015		31.12.2014	
Group	**Notional Amount RM'000**	**Assets RM'000**	**Notional Amount RM'000**	**Liabilities RM'000**
Non-hedging derivatives:				
Foreign currency forward contracts	877	7	2,449	(12)

The Group uses foreign currency forward contracts to manage some of the transaction exposures. These contracts are not designated as cash flow hedge.

The Group determines the fair value of the foreign currency forward contracts by using the prices quoted by the counterparty bank, which is under Level 2 of the fair value hierarchy.

25. Held-to-maturity investment

Held-to-maturity investment consists of deposits with licensed banks with maturity period of more than three months are as follows:

	Group		
	31.12.2015 RM'000	31.12.2014 RM'000 (restated)	01.01.2014 RM'000 (restated)
Deposits with licensed banks	3,740	4,153	2,566

	Company		
	31.12.2015 RM'000	31.12.2014 RM'000 (restated)	01.01.2014 RM'000 (restated)
Deposits with licensed banks	1,543	1,500	-

The weighted average effective interest rates of held-to-maturity investments at the reporting date are as follows:

	Group and Company		
	31.12.2015	31.12.2014	01.01.2014
Deposits with licensed banks	2.90%	2.90%	3.60%

Notes To The Financial Statements

For the year ended 31 December 2015

25. Held-to-maturity investment (continued)

The varying periods of held-to-maturity investments at the reporting date are as follows:

	Group and Company		
	31.12.2015 months	31.12.2014 months	01.01.2014 months
Deposits with licensed banks	12	12	12

Deposits with licensed banks are pledged as securities for borrowings as referred to in Note 27.

26. Cash and bank balances

	Group		
	31.12.2015 RM'000	31.12.2014 RM'000 (restated)	01.01.2014 RM'000 (restated)
Cash on hand and at banks	5,835	5,787	7,478

	Company		
	31.12.2015 RM'000	31.12.2014 RM'000 (restated)	01.01.2014 RM'000 (restated)
Cash on hand and at banks	65	29	2,130

For the purposes of the statements of cash flows, cash and cash equivalents at the reporting date comprise the following:

	Group		Company	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Cash on hand and at banks	5,835	5,787	65	29
Bank overdrafts (Note 27)	(2,985)	(1,564)	-	-
Cash and cash equivalents	2,850	4,223	65	29

27. Loans and borrowings

		Group	
		31.12.2015	31.12.2014
	Maturity	RM'000	RM'000
Current			
Secured:			
Bank overdrafts (Note 26)	On demand	2,985	1,564
Bankers' acceptances	2016	31,904	37,332
Trust receipts	2016	-	53
Term loans	2016	469	664
Finance lease payables (Note 36(b))	2016	472	2,584
		35,830	42,197
Non-current			
Secured:			
Term loans	2017 to 2019	619	1,027
Finance lease payables (Note 36(b))	2017 to 2018	239	4,224
		858	5,251
Total loans and borrowings		36,688	47,448

The remaining maturities of the borrowings as at 31 December 2015 and 2014 are as follows:

	Group	
	31.12.2015	31.12.2014
	RM'000	RM'000
On demand or within one year	35,830	42,197
Later than one year and not later than 2 years	530	3,000
Later than 2 years and not later than 5 years	328	2,251
	36,688	47,448

(a) Bank overdrafts

Bank overdrafts are denominated in RM, bear interest on an average of 7.74% (2014: 7.79%) per annum.

(b) Bankers' acceptances and trust receipts

These are used to finance purchases of the Group denominated in RM and are short term in nature. The weighted average effective interest rate is 4.17% (2014: 4.05%) per annum.

(c) Term loans

The loans are repayable over a period of 5 years. The weighted average effective interest rate is 7.03% (2014: 6.95%) per annum.

(d) Obligations under finance leases

These obligations are secured by a charge over leased assets (Note 17(d)). The average discount rate implicit in the leases is 4.26% (2014: 4.94%) per annum.

The borrowings are secured by the Group's leasehold land and factory buildings and certain other assets and a debenture covering fixed and floating charges over all the assets and properties as disclosed in Notes 17, 18 and 25. The borrowings are additionally guaranteed by certain directors of the Company.

Other information on financial risk of borrowings are disclosed in Note 39.

Notes To The Financial Statements

For the year ended 31 December 2015

28. Trade and other payables

	Group		Company	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Trade payables				
Third parties	19,805	17,367	-	-
Other payables				
Accrued operating expenses	4,710	5,169	38	13
Other payables	2,729	3,688	5	-
	7,439	8,857	43	13
Total trade and other payables	27,244	26,224	43	13
Total trade and other payables	27,244	26,224	43	13
Add: Borrowings (Note 27)	36,688	47,448	-	-
Total financial liabilities carried at amortised cost	63,932	73,672	43	13

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 120 (2014: 30 to 120) days terms.

(b) Other payables

Other payables are non-interest bearing and normally settled on an average of 6 (2014: 6) months.

29. Deferred tax assets/(liabilities)

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
At 1 January	(6,934)	(4,970)
Recognised in profit or loss (Note 15)	(1,260)	(1,964)
At 31 December	(8,194)	(6,934)
Reflected in the statements of financial position as follows:		
- Deferred tax assets	1,872	2,182
- Deferred tax liabilities	(10,066)	(9,116)
	(8,194)	(6,934)

Notes To The Financial Statements

For the year ended 31 December 2015

29. Deferred tax assets/(liabilities) (continued)

The components and movements of deferred tax (liabilities)/assets are as follows:

Group	Property, plant and equipment RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Unabsorbed reinvestment allowances RM'000	Total RM'000
As at 1 January 2014	(8,667)	536	745	2,416	(4,970)
Recognised in profit or loss	(449)	-	(448)	(1,067)	(1,964)
At 31 December 2014 and 1 January 2015	(9,116)	536	297	1,349	(6,934)
Recognised in profit or loss	(1,337)	-	(297)	(13)	(1,647)
Reduction in tax rate	387	-	-	-	387
At 31 December 2015	(10,066)	536	-	1,336	(8,194)

30. Share capital

	Group and Company			
	Number of shares		Amount	
	31.12.2015 '000	31.12.2014 '000	31.12.2015 RM'000	31.12.2014 RM'000
Authorised				
Shares of RM1 each	100,000	100,000	100,000	100,000
Issued and fully paid				
Ordinary shares of RM1 each	75,251	75,251	75,251	75,251

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

31. Share premium

This non-distributable share premium arose from the issue of shares at a premium in previous years.

32. Treasury shares

Treasury shares relate to ordinary shares in the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares.

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32. Treasury shares (continued)

During the financial year ended 2013, the Company acquired 71,400 shares in the Company through purchases on the Bursa Malaysia Securities Berhad. The total amount paid to acquire the shares was RM52,291 and this was presented as a component within shareholders' equity. At the reporting date, the Company held 1,098,445 (2014: 1,098,445) ordinary shares of RM1 each as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

33. Retained earnings

The Company may distributes dividends out of its retained earnings as at 31 December 2015 under the single tier system.

34. Dividend

	Net dividend per ordinary share		Net dividend per ordinary share	
	2015 Sen	2014 Sen	2015 RM'000	2014 RM'000
Interim single tier dividend	2.5	-	1,854	-

35. Related party disclosures

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Company	
	2015 RM'000	2014 RM'000
With subsidiaries		
Management fee charged to:		
- Ornapaper Industry (M) Sdn. Bhd.	56	65
- Ornapaper Industry (Perak) Sdn. Bhd.	35	35
- Ornapaper Industry (Batu Pahat) Sdn. Bhd.	14	14
Dividends received from:		
- Ornapaper Industry (Johor) Sdn. Bhd.	271	271
- Tripack Packaging (M) Sdn. Bhd.	-	503
- Ornapaper Industry (M) Sdn. Bhd.	1,290	-
- Ornapaper Industry (Perak) Sdn. Bhd.	600	-
Interest received from:		
- Ornapaper Industry (M) Sdn. Bhd.	-	27
- Quantum Rhythm Sdn. Bhd.	30	12

35. Related party disclosures (continued)

(a) Sale and purchase of goods and services (continued)

	Group	
	2015	**2014**
	RM'000	**RM'000**
With other related parties		
Purchases from STH Wire Industry (M) Sdn. Bhd.	366	445
Sales to:		
- Perfect Food Manufacturing (M) Sdn. Bhd.	6,668	5,939
- Greatbrand Food Industries Sdn. Bhd.	2,145	1,679
- STH Wire Industry (M) Sdn. Bhd.	42	53
Rental paid to Perfect Food Manufacturing (M) Sdn. Bhd.	160	-

Other related parties are companies in which a director of the Company, Sai Chin Hock, has substantial financial interest.

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transaction with other parties.

(b) Compensation of key management personnel

In addition to the directors' remuneration as disclosed in Note 14, the salaries and other related amounts payable to key management personnel are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Salaries and wages	75	60
Defined contribution plans	11	6
	86	66

36. Commitments

(a) Capital commitments

	Group	
	31.12.2015	**31.12.2014**
	RM'000	**RM'000**
Capital expenditure approved and contracted for:		
- Property, plant and equipment	494	140
Capital expenditure approved but not contracted for:		
- Property, plant and equipment	-	24
	494	164

(b) Finance lease commitments

The Company has finance leases for certain items of motor vehicles, plant and machinery (Note 17). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

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For the year ended 31 December 2015

36. Commitments (continued)

(b) Finance lease commitments (continued)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
Minimum lease payments:		
Not later than one year	500	2,931
Later than one year and not later than 2 years	199	2,635
Later than 2 years and not later than 5 years	48	1,869
Total minimum lease payments	747	7,435
Less: Amounts representing future finance charges	(36)	(627)
Present value of minimum lease payments	711	6,808

	Group	
	31.12.2015 RM'000	31.12.2014 RM'000
Present value of finance lease payables:		
Not later than one year	472	2,584
Later than one year and not later than 2 years	193	2,450
Later than 2 years and not later than 5 years	46	1,774
Present value of minimum lease payments	711	6,808
Less: Amount due within 12 months (Note 27)	(472)	(2,584)
Amount due after 12 months (Note 27)	239	4,224

37. Material litigation

There was no material litigation against the Group, except for a trade dispute over the Collective Agreement between a wholly-owned subsidiary, Ornapaper Industry (M) Sdn. Bhd. and the Paper and Paper Products Manufacturing Employee's Union that was referred to the Industrial Court.

The Industrial Court has fixed this matter for mention on 26 May 2016. The Board of Directors believe that there will not have unfavorable outcome from the dispute. Hence, no provision is provided for as at the reporting date.

38. Fair value of financial instruments

A. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	22
Cash and bank balances	26
Loans and borrowings	27
Trade and other payables	28

38. Fair value of financial instruments (continued)

A. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (continued)

The carrying amounts of the trade and other receivables and trade and other payables are reasonable approximation of their fair values due to their relatively short maturity periods.

The carrying amounts of borrowings are reasonable approximation of their fair values as the interest charge on these borrowings are pegged to, or close to, market interest rates near or at reporting date.

B. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs that are based on observable market data, either directly or indirectly

Level 3: Inputs that are not based on observable market data

	Level 2			
	Group		Company	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Held-to-maturity investment	3,740	4,153	1,543	1,500
Foreign currency forward contract	7	(12)	-	-

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2015 and 2014.

39. Financial risk management objectives and policies

Financial liabilities, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's and the Company's operations and to provide guarantees to support its operations. Financial assets include trade and other receivables and cash and short-term deposits that derive directly from its operations.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by senior management who have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Group do not apply hedge accounting. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Notes To The Financial Statements

For the year ended 31 December 2015

39. Financial risk management objectives and policies (continued)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings and actively review its debt portfolio taking into account the investment holding period and nature of its assets.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

Sensitivity analysis for interest rate risk

Based on the utilisation of floating rate loans and borrowings throughout the reporting period, if interest rates had been 50 basis point lower (or higher), with all other variables held constant, the Group's profit before tax would have been RM180,000 (2014: RM203,000) higher (or lower), arising mainly as a result of lower (or higher) interest expense that would have been incurred. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily United States Dollars ("USD") and Singapore Dollars ("SGD"). Such transactions are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Net financial assets/(liabilities) held in non-functional currency		
	SGD RM'000	**USD RM'000**	**Total RM'000**
At 31 December 2015			
Trade and other receivables	163	1,295	1,458
Trade and other payables	-	(85)	(85)
Cash and bank balances	-	547	547
	163	1,757	1,920

Notes To The Financial Statements

For the year ended 31 December 2015

39. Financial risk management objectives and policies (continued)

(b) Foreign currency risk (continued)

	Net financial assets/(liabilities) held in non-functional currency		
	SGD RM'000	USD RM'000	Total RM'000
At 31 December 2014			
Trade and other receivables	206	1,139	1,345
Trade and other payables	(5)	(468)	(473)
Cash and bank balances	298	114	412
	499	785	1,284

Sensitivity analysis for foreign currency risk

The hypothetical sensitivity of the Group's profit before tax to a 5% change in the USD and SGD exchange rates at the reporting date against RM, assuming all other variables remain unchanged, is insignificant.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Exposure to credit risk relates to operating activities (primarily trade receivables) and from financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

(i) Trade receivables

Customer credit risk is managed according to established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and approved by the directors who sets out the individual credit limits. Outstanding customer receivables are regularly monitored and financial standings of major customers are continuously reviewed.

At the reporting date, approximately 19% (2014: 18%) of the Group's gross trade receivables were due from 6 (2014: 5) major customers.

An impairment analysis is performed at each reporting date on an individual basis and in addition, minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Group does not hold collateral as security.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, with positive fair value and a nominal amount of RM31,789,000 (2014: RM41,035,000) relating to corporate guarantees provided by the Company to financial institutions for credit facilities utilised by subsidiaries.

39. Financial risk management objectives and policies (continued)

(c) Credit risk (continued)

(i) Trade receivables (continued)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22(a).

Financial assets that are either past due or impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 22(a).

(ii) Cash and short-term deposits

Cash are normally maintained at minimum levels and surplus cash are placed as short-term deposits with licensed banks and financial institutions. Such funds are reviewed by the directors on a monthly basis and amounts placed as short-term deposits may be revised throughout the year. This is to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with no history of default.

(d) Liquidity risk

Liquidity risk is the risk that difficulty will be encountered in meeting financial obligations due to shortage of funds caused by mismatches of maturities of financial assets and liabilities. The objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, term loans, finance leases and collection from customers.

Debt maturity profile, operating cash flows and the availability of funding are managed so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, sufficient levels of cash or cash convertible investments are maintained to meet its working capital requirements. In addition, available banking facilities are maintained at a reasonable level to its overall debt position. As far as possible, committed funding are raised from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Notes To The Financial Statements

For the year ended 31 December 2015

39. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations is as follows:

	2015		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group			
Trade and other payables	27,244	-	27,244
Loans and borrowings	35,920	914	36,834
Total undiscounted financial liabilities	63,164	914	64,078

	2015		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Company			
Trade and other payables	43	-	43
Total undiscounted financial liabilities	43	-	43

	2014		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group			
Trade and other payables	26,224	-	26,224
Loans and borrowings	43,120	5,743	48,863
Total undiscounted financial liabilities	69,344	5,743	75,087

	2014		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Company			
Trade and other payables	13	-	13
Total undiscounted financial liabilities	13	-	13

40. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable levels. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to equity holders of the Group.

		Group		Company	
	Note	**31.12.2015 RM'000**	**31.12.2014 RM'000**	**31.12.2015 RM'000**	**31.12.2014 RM'000**
Loans and borrowings	27	36,688	47,448	-	-
Trade and other payables	28	27,244	26,224	43	13
Less: Cash and bank balances	26	(5,835)	(5,787)	(65)	(29)
Net debt		58,097	67,885	-	-
Equity attributable to owners of the parent		137,169	131,983	96,759	96,741
Capital and net debt		195,266	199,868	96,759	96,741
Gearing ratio		30%	34%	-	-

41. Comparative and prior year adjustment

In the previous financial years, the Group and the Company have classified the deposits placed with commercial banks with maturity period of more than three months under cash and bank balances. These deposits with licensed banks of the Group are pledged to banks to secure banking facilities granted to the Group as disclosed in Note 25 and Note 27. The directors consider that the change to held-to-maturity investment gives a fairer presentation of the financial position of the Group.

Comparative amounts as at 31 December 2014, however, have been restated as follows:

	Group		
	Previously reported RM'000	**Re-classification RM'000**	**Restated RM'000**
At 31 December 2014			
Statement of financial position			
Held-to-maturity investment	-	4,153	4,153
Cash and bank balances	9,940	(4,153)	5,787

41. Comparative and prior year adjustment (continued)

	Company		
	Previously reported RM'000	Re-classification RM'000	Restated RM'000
At 1 January 2014			
Statement of financial position			
Held-to-maturity investment	-	1,500	1,500
Cash and bank balances	1,529	(1,500)	29

The above reclassification have no impact to the financial performance of the Group or of the Company.

42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 23 March 2016.

43. Supplementary information – Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised profits	99,891	93,332	10,893	10,875
- Unrealised losses	(8,175)	(6,934)	-	-
	91,716	86,398	10,893	10,875
Less: Consolidation adjustments	(40,413)	(40,281)	-	-
Retained earnings as per financial statements	51,303	46,117	10,893	10,875

List Of Properties

Register Owner	Title / Location	Land Area (Square Metres)	Tenure From / To	Existing Use	Approximate Age of Building (Years)	Date of Acquisition or Revaluation	Net Book Value As at 31/12/2015 (RM'000)
OISB(M)	H. S. (M) 455 to H. S. (M) 470 Lot PT4944 to PT4959 Mukim of Bachang, District of Melaka Tengah, Melaka	33,720	Leasehold 99 Years Expiring On 24/09/2094	Industrial		16-Jan-96	
OISB(M)	H. S. (M) 471 to H. S. (M) 475 Lot PT4960 to PT4964 Mukim of Bachang, District of Melaka Tengah, Melaka	17,505	Leasehold 99 Years Expiring On 24/09/2094	Industrial	19	04-Mar-02	26,598
PKNM*	Lot PT 6127, Kawasan Perindustrian Batu Berendam IV, Melaka Factory No.: 8998, Kawasan Perindustrian Batu Berendam (PhaseIV) (Taman Perindustrian Batu Berendam), Batu Berendam, Melaka.	6,822	Leasehold 99 Years Expiring On 20/04/2103	Industrial (Former Service Road)		01-Aug-03	
OISB(BP)	H. S. (D) 43098 Lot. No. PLO 271 (PTD39208), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	13,067	Leasehold 60 Years Expiring On 10/07/2060	Industrial	18	27-Oct-97	
	Factory No. PLO 271, Jalan Kawasan Perindustrian Sri Gading, 83009 Batu Pahat, Johor Darul Takzim						6,218
OISB(BP)	H. S. (D) 38426 (PTD35123), Mukim of Simpang Kanan, District of Batu Pahat, Johor Darul Takzim	4,047	Leasehold 60 Years Expiring On 04/02/2058	Industrial	18	27-Dec-11	
OISB(PERAK)	H. S. (D) 10127, H.S. (D) 101313 To H.S. (D)10135 Lot PT 80050, PT 80054 to PT 80058 Mukim of Hulu Kinta, District of Kinta, State of Perak	42,808	Leasehold 60 Years Expiring On 02/01/2051	Industrial	25	25-May-90	6,673
	Factory No. Plot 9, Persiaran Perindustrian Kanthan 2, Industrial Estate, 31200 Chemor, Perak Darul Ridzuan						
OISB(JOHOR)	H. S. (D) 248366 Lot PTD 46025 Mukim & District of Senai-Kulai, Johor Bahru	6,070	Leasehold 60 Years Expiring On 10/07/2056	Industrial	9	14-Mar-02	1,675
	Factory No. PLO 114 Jalan Cyber 5, Kawasan Perindustrian Senai III, 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 31 March 2016

Authorised share capital	**: RM100,000,000.00**
Issued and paid-up capital	**: RM75,250,601.00**
Class of shares	**: Ordinary Shares of RM1.00 each**
Voting rights	**: 1 Vote per Ordinary Share**

DISTRIBUTION OF SHAREHOLDERS

Range	No. of Shareholders	%	No. of Shares	%
1 to 99	15	0.93	597	0.00
100 to 1,000	268	16.70	235,806	0.32
1,001 to 10,000	870	54.21	4,643,900	6.26
10,001 to 100,000	369	22.99	11,950,654	16.12
100,001 to 3,707,606	80	4.98	28,748,325	38.77
3,707,607 and above	3	0.19	28,572,874	38.53
	1,605	100.00	74,152,156	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares	%	Indirect No. of Share	%
Intisari Delima Sdn Bhd	18,634,888	25.13	-	-
HSBC Nominees (Asing) Sdn Bhd Exempt An For BSI SA (BSI BK SG-NR)	5,880,000	7.93	-	-
Sai Chin Hock	4,057,986	5.47	19,094,212 #	25.75

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

Name	No. of Shares	%	No. of Shares	%
Ang Kwee Teng	10,000	0.01	-	-
Sai Chin Hock	4,057,986	5.47	19,094,212 #	25.75
Datuk Adillah binti Ahmad Nordin	34,000	0.05	-	-
Siow Kee Yen	30,500	0.04	-	-
See Wan Seng	-	-	-	-
Tan Chin Hwee	-	-	-	-

Notes :-

Deemed interest by virtue of his substantial shareholdings in Intisari Delima Sdn Bhd and his son, Mr Sai Tzy Horng's substantial shareholdings in Pilihan Sistematik Sdn Bhd.

Analysis Of Shareholdings

As at 31 March 2016

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

	Name of Shareholders	No. of Shares Hold	%
1.	INTISARI DELIMA SDN BHD	18,634,888	25.13
2.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	5,880,000	7.93
3.	SAI CHIN HOCK	4,057,986	5.47
4.	SUPERIOR RAINBOW SDN BHD	1,722,245	2.32
5.	LIM SIEW HUAI	1,650,000	2.23
6.	KUAH SAY CHONG	1,339,000	1.81
7.	YEO SER KEN	1,173,000	1.58
8.	UPTREND PERFORMER SDN BHD	1,000,000	1.35
9.	GOH YU TIAN	955,300	1.29
10.	GRANDEUR LAND SDN BHD	900,000	1.21
11.	WONG MENG KIANG	870,000	1.17
12.	LEKOK PAPER SDN BHD	805,000	1.09
13.	LIM HONG LIANG	745,000	1.00
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHING YOONG (8021741)	679,500	0.92
15.	LIM CHIN TIAM	642,200	0.87
16.	TAN TIAN SOON	638,700	0.86
17.	TAN TIAN SOON	629,400	0.85
18.	SIANG TECK SIONG	624,900	0.84
19.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SIAU MEN (8080599)	560,700	0.76
20.	LIM ENG KONG	470,300	0.63
21.	PILIHAN SISTEMATIK SDN BHD	459,324	0.62
22.	KENANGA NOMINEES (TEMPATAN) SDN BHD CHONG MEI	430,000	0.58
23.	GINA GAN	407,700	0.55
24.	YAU YU KAM	404,000	0.54
25.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG FAAI @ NG YOKE PEI (SRB/PMS)	401,000	0.54
26.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LIM KA KIAN (PB)	400,000	0.54
27.	RADIANCE PERFECT INTL. SDN BHD	393,000	0.53
28.	LOW CHEE HIAN	345,000	0.47
29.	LEKOK PAPER SDN BHD	340,000	0.46
30.	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	320,000	0.43

Proxy Form

CDS ACCOUNT NO.
NUMBER OF SHARES HELD

FORM OF PROXY

*I/We ______________________________ NRIC No./Company No.____________________________

of (full address)____

being a Member/Members of ORNAPAPER BERHAD, hereby appoint ____________________________

NRIC No. ___________________________of ____

or failing *him/her, _____________________________ NRIC No. ____________________________ of

____

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 14th Annual General Meeting of the Company to be held at Holiday Inn Melaka, Jalan Syed Abdul Aziz, 75000 Melaka on Friday, 27 May 2016 at 10.30 a.m. and at any adjournment thereof.

No.	**Resolution**
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors thereon.

No.	**Resolutions**	**For**	**Against**
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2015.		
3.	To re-elect Sai Chin Hock who retires pursuant to Article 92 of the Company's Articles of Association.		
4.	To re-elect Datuk Adillah Binti Ahmad Nordin who retires pursuant to Article 92 of the Company's Articles of Association.		
5.	To re-appoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
6.	As Special Business Special Resolution - Proposed Amendments to the Articles of Association		
7.	Ordinary Resolution - Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965		
8.	Ordinary Resolution - Retention of Datuk Adillah binti Ahmad Nordin as an Independent Non-Executive Director of the Company		
9.	Ordinary Resolution - Retention of Siow Kee Yen as an Independent Non-Executive Director of the Company		
10.	Ordinary Resolution - Proposed Renewal of Existing Shareholders' Mandate		
11.	Ordinary Resolution - Proposed Renewal of Authority for Share Buy-Back		

** Strike out whichever not applicable.*

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

As witness my/our hand(s) this _________ day of ___________________ 2016.

____
Signature of Member/Common Seal

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 19 May 2016 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the Meeting.

(ii) A member entitled to attend and vote at the Meeting is entitled to appoint more than one proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provision of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualifications of the proxy.

(iii) In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.

(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.

(v) The instrument appointing a proxy must be deposited at the Registered Office at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka not less than 48 hours before the time for holding the Meeting or at any adjournment thereof.

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Stamp
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The Company Secretary
ORNAPAPER BERHAD (573695-W)
No. 60-1, Jalan Lagenda 5,
Taman 1 Lagenda,
75400 Melaka.
MALAYSIA

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