luster

Creating Values

Perfect Vision of a Brighter Future

Annual Report 2017

CONTENT

CORPORATE INFORMATION

DIRECTORS

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir
(Independent Non-Executive Chairman)

Liang Wooi Gee
(Deputy Managing Director)

Phuah Cheng Peng
(Executive Director)

Wee Song He, Wilson
(Executive Director)

Ahmad Kamal Bin S. Awab
(Independent Non-Executive Director)

Mohamed Shukri Bin Mohamed Zain
(Independent Non-Executive Director)

AUDIT COMMITTEE
Ahmad Kamal Bin S. Awab (Chairman)
Mohamed Shukri Bin Mohamed Zain
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir

NOMINATING COMMITTEE
Mohamed Shukri Bin Mohamed Zain (Chairman)
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir

REMUNERATION COMMITTEE
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (Chairman)
Ahmad Kamal Bin S. Awab
Liang Wooi Gee

RISK MANAGEMENT COMMITTEE
Mohamed Shukri Bin Mohamed Zain (Chairman)
Ahmad Kamal Bin S. Awab
Liang Wooi Gee
Wee Song He, Wilson

SECRETARY
Chee Wai Hong (BC/C/1470)

REGISTERED OFFICE
51-13-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-228 9700
Fax : 04-227 9800

BUSINESS ADDRESS
Plot 36 & 37, Jalan PKNK Utama
Kawasan Perusahaan Sungai Petani
08000 Sungai Petani
Kedah Darul Aman

AUDITORS
Grant Thornton (AF:0042)
51-8-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

SOLICITORS
Messrs Y.C. Wong
Lot W10B1, 10th Floor, West Block, Wisma Selangor Dredging,
No. 142C, Jalan Ampang,
50450 Kuala Lumpur, Malaysia.

BANKERS
Al-Rajhi Banking and Investment Corporation (Malaysia) Berhad
Alliance Bank Malaysia Berhad
Alliance Islamic Bank Berhad
AmIslamic Bank Berhad
Bank Islam Malaysia Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
Malayan Banking Berhad
OCBC Bank Berhad
Public Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

SHARE REGISTRAR
AGRITEUM Share Registration Services Sdn. Bhd. (578473-T)
2nd Floor Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-228 2321
Fax : 04-227 2391

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Name : Luster
Stock Code : 5068

GROUP STRUCTURE

luster
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60% PAN CAMBODIAN LOTTERY CORPORATION LIMITED (Co.1054E/2010)

100% WINCO PRECISION ENGINEERING (MELAKA) SDN BHD (269790-D)
- *100%* PEMBINAAN LSP JAYA SDN BHD (1081245-U)

20%

80% WINCO PRECISION TECHNOLOGIES SDN BHD (271905-X)

100% LUSTER PLASTIC INDUSTRIES SDN BHD (245695-U)
- *100%* LINPOWER RESOURCES SDN BHD (273055-X)

100% LUSTER MANUFACTURING SDN BHD (185405-D)
- *100%* LUSTER VENTURE SDN BHD (1232098-V)
- *100%* LUSTER HIJAUAN HOME SDN BHD (1245222-K)

100% EXZONE PRECISION ENGINEERING SDN BHD (243754-V) (Formerly known as Luster Precision Engineering Sdn Bhd)

51% LUSTER CHI WO SDN BHD (401840-P)

100% LUSTER CONSTRUCTION SDN BHD (1233369-H)

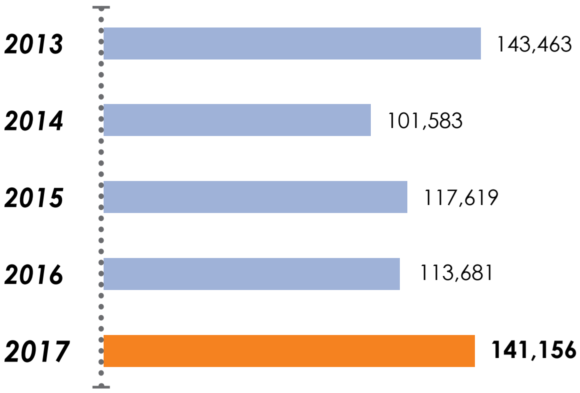
100% EXZONE PLASTICS MANUFACTURERS SDN BHD (71689-U)
- *100%* IMETRON (M) SDN BHD (190692-T)

FINANCIAL HIGHLIGHTS

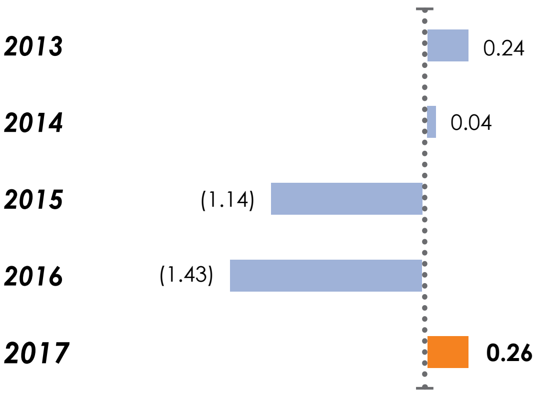
Five Years Financial Highlights

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	143,463	101,583	117,619	113,681	141,156
Profit/(Loss) Before Tax	8,817	1,744	(14,844)	(24,273)	6,893
Profit/(Loss) After Tax	5,509	779	(17,297)	(25,495)	5,098
Profit/(Loss) After Tax Attributable To Owners Of The Company	3,092	612	(18,034)	(24,710)	4,942
Paid-up Capital	138,693	157,432	173,191	173,191	201,529
Total Assets	177,500	168,932	175,951	153,439	188,138
Shareholders Fund	140,368	150,752	149,526	124,827	155,017
Basic Earnings/(Loss) Per Share (Sen)	0.24	0.04	(1.14)	(1.43)	0.26
Net Assets Per Share (RM)	0.10	0.10	0.09	0.07	0.08

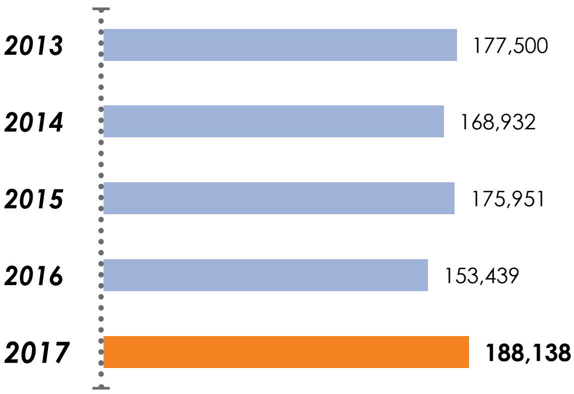
Revenue (RM'000)



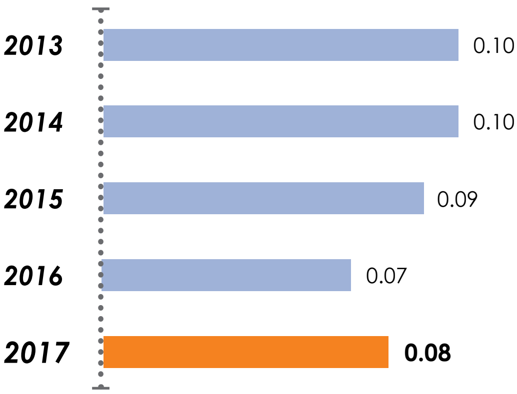
Basic Earnings/(Loss) Per Share (Sen)



Total Assets (RM'000)



Net Assets Per Share (RM)



STATEMENT FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors of Luster Industries Bhd (LIB), I have the pleasure in presenting to you the Annual Report and the Annual Financial Statements of the Company and its subsidiaries (the Group) for the financial year ended (FYE) 31 December 2017.

In 2017, global gross domestic product (GDP) growth is estimated to have picked up from 2.4 percent in 2016 to 3 percent in 2017 *(Source: World Bank 2018 Report)*. This had marginally boosted our revenue in manufacturing segment. The Group has recorded a revenue of RM141.2 and RM113.7 million in financial year 2017 and financial year 2016 respectively. This was mainly due to the increase in revenue from construction contracts and the sale of lottery tickets. The Group has recorded a profit before tax of RM6.9 million in financial year ended 31 December 2017 as compared to a loss before tax of RM24.3 million in financial year ended 31 December 2016. The profit in 2017 is mainly generated from the delivery of a higher profit margin Original Equipment Manufacturer (OEM) product in the manufacturing segment. The property development and construction segment, as well as the gaming and leisure segment had also contributed to the positive bottom line. The loss in 2016 was mainly due to the written off of goodwill on consolidation, impairment loss on property, plant and equipment in manufacturing segment, the impairment loss on mining deposit and the impairment loss on deposits and prepaid expenses in relation to the casino project.

In the manufacturing segment, the Group is consolidating and rationalizing its operation in the Northern region in line with its strategies to evolve itself to be a significant original equipment manufacturer (OEM) player and to stay competitive. The Group had invested a significant amount of investment to upgrade its manufacturing facilities, recruitment of skilled manpower especially in the area of Research & Development and engineering and quality management systems in order for it to penetrate into the global market. With the strategies adopted and investment committed, we are proud to be able to successfully rolled out another OEM product for our customer in the hygiene and pest control industry in financial year ended 2017.

STATEMENT FROM THE CHAIRMAN (Cont'd)

The Board believes that the construction sector has a great potential to grow in view of the growing demand for affordable homes in Malaysia. With regard to the development project in Pengkalan Hulu, which began in the financial year 2016, the infrastructure work is expected to complete in the financial year of 2018. Further to that, the Group had also on 10 March 2017 entered into a contract to complete the remaining construction works of a construction project in Kota Bharu, Kelantan, which is also expected to be completed in the financial year of 2018. From the track record of the few projects that we have managed, we are proud to be appointed to act as the Project Financier, Project Manager and Contractor (PFMCC) for the development of a portion of land in area situated in the state of Penang.

The gaming and leisure segment had recorded a revenue of RM3.8 million in financial year 2017 as compared to RM1.9 million in financial year 2016 due to the expansion of the Group's sales network to other provinces in Cambodia. The number of agents has also experienced a gradual increase. Additionally, the Group is in the midst of finalising the leasing of lands for erecting hotel and development of an entertainment center.

The Board will continue to take cautious steps to explore the opportunities in the present markets to expand its market shares in the segments that the Group is involved while acknowledging the risks that the Group will be facing. While pursuing our growth strategy, the Board will take proactive measures to ensure the success of the new ventures and to mitigate the risks that the Group may face.

Future Development and Challenges

Global growth is projected to edge up in the coming years *(Source: World Bank 2018 Report)*. This modest recovery is predicted to be more an indication of economic stabilization than a signal of a robust and sustained revival of global demand. However, the Group will remain prudent in all its operations.

In the manufacturing segment, we will continue to differentiate ourselves from the other manufacturers to maintain competitiveness and profitability. The Group had successfully rolled out OEM products for its customers in the hygiene and pests control industry during the last 2 years. However, we will not just stop here. Instead, the Group continues to take actions to evolve itself in order to maintain its competitiveness. Therefore, strategies to improve its resources to provide the value-added and soft-skilled activities especially on the product design, research and development have been put in place to position and prepare the Group to evolve itself to be an Original Design Manufacturer (ODM) player.

In property development and construction segment, the Group will continue to explore additional construction related and property development projects by way of leveraging on the experiences and network of its construction key personnel. In order to minimise the investment outlay in this sector, the Group is also exploring the opportunity to enter into joint ventures to grow this segment.

As for the gaming and leisure segment, the Group continues to put in place the strategies to expand its sales network and representatives in Cambodia in its gaming and leisure segment. Offices are opened in other provinces to create the confidence and awareness of the Company's business in Cambodia, hence improving the revenue. The sales network was expanded by way of improving the reward system for agents. Ultimately, the number of agents have increased as a result.

In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in financial year 2018.

In Recognition

I would like to take this opportunity to express my sincere appreciation and gratitude to my fellow Board members for their invaluable contribution and guidance through a challenging year as well as to our customers, bankers and suppliers for their continued trust, support and commitment to work with us. I would also like to thank our management team and employees for their loyalty and commitment towards their work and our shareholders for their continued support and confidence in Luster Industries Bhd.

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir
Independent Non-Executive Chairman

MANAGEMENT
DISCUSSION AND ANALYSIS

Overview of Business & Operations

LIB is an investment holding company whereby the activities of the subsidiaries can be segregated into the followings:

Business Segments	Activities
Manufacturing	The manufacturing activities consist of: i. Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products; ii. Original Equipment Manufacturer (OEM) manufacturing for hygiene and pests control products, and iii. Precision engineering work and manufacturing of die-casting components. The companies operating under this segment are Exzone Precision Engineering Sdn Bhd (Formerly known as Luster Precision Engineering Sdn Bhd), Exzone Plastics Manufacturers Sdn Bhd and Winco Precision Engineering (Melaka) Sdn Bhd.
Property development & construction	Construction and property development activities. The companies operating under this segment are Pembinaan LSP Jaya Sdn Bhd, Luster Construction Sdn Bhd, Luster Hijauan Home Sdn Bhd and Luster Venture Sdn Bhd.
Gaming & leisure	Lottery operator in Cambodia. The company operating under this segment is Pan Cambodian Lottery Corporation Limited.

Objectives & Strategies

The core activity of Luster Group is in the manufacturing sector. However, in the recent years, Luster Group has experienced a slower growth in its core business of manufacturing sector. Keen competition has also eroded the profit margin in the manufacturing sector. The Group continues to innovate the manufacturing processes and differentiate itself in order to stay competitive and to effectively position itself as an OEM player in the market. The Group continues to invest in improving and upgrading its manufacturing facilities and its human capital in order to stay competitive in the global market. The Group has expanded its activities from just providing one-stop manufacturing services and processes to create value-added and soft-skilled activities for its customers in the area of product design and research and development. Other than continuously improving its internal resources, the Group is also seeking technology partners to further enhance its capabilities in product design and research and development.

While focusing to further strengthen its position in the manufacturing sector, the Group has also looked beyond the manufacturing sector horizon to expand its income stream to improve its financial performance and strengthen its financial position. The Group's property development and construction segment has grown gradually and steadily since its inception in this sector. The recent projects awarded in Kelantan and Penang have catapulted the property construction segment of the Group to a different level. The joint-venture project in Selangor in the property development has also positioned the Group on a platform to further expand its property development and construction segment. The Group has also lined up its strategy to start pursuing and exploring additional construction-related and property development projects by way of leveraging on the experiences and network of its construction key personnel.

The Group continues to put in place the strategies to expand its sales network and representatives in Cambodia in its gaming and leisure segment. Offices are opened in other provinces to create the confidence and awareness of its business in Cambodia, hence improving the revenue. The initiative to expand its sales network was carried out by way of improving the reward system for agents. Ultimately, the number of agents have increased as a result.

The Board is optimistic and strongly believe that, with the strategies put in place and the competence and commitment of its human capital, the Group will be able to strengthen and grow its financial performance.

Operational Review

The Group has recorded a revenue of RM141.2 million and RM113.7 million in financial year 2017 and financial year 2016 respectively. This was mainly due to the increase in revenue from construction contracts and the sale of lottery tickets. The Group has recorded a profit before tax of RM6.9 million and a loss of RM24.3 million respectively in financial year 2017 and financial year 2016. The profit in 2017 is mainly generated from the delivery of a higher profit margin OEM product in the manufacturing segment. The property development and construction segment, as well as the gaming and leisure segment had also contributed to the positive bottom line. The loss in 2016 was mainly due to the written off of goodwill on consolidation, impairment loss on property, plant and equipment in manufacturing segment, the impairment loss on mining deposit and the impairment loss on deposits and prepaid expenses in relation to the casino project.

Operational Review (Cont'd)

As at 31 December 2017, the Group's total assets stood at RM188.1 million, representing a growth of RM34.7 million compared to RM153.4 million at the end of the financial year of 2016. The Group's current assets, which made up 64.4% of the total assets, grew by RM36.9 million to RM121.1 million as at 31 December 2017. This increase was mainly attributable to the rise in trade receivables and other receivables, deposits and prepayments. The increase in trade receivables was mainly due to the increase in sales in property development and construction segment for financial year ended 31 December 2017. Other receivables, deposits and prepayments increased mainly due to the advancement and refundable deposits paid for the property development and construction projects undertaken by the Group. The Group's total liabilities increased by RM4.5 million from RM27.7 million as at 31 December 2016 to RM32.2 million as at 31 December 2017. The main contribution to the increase were trade payables from property development and construction segment.

The Group's financial position remained strong and net asset value per share attributable to equity holders of the Group was RM0.08 as at 31 December 2017 compared to RM0.07 as at 31 December 2016. The Group's current net gearing ratio for the financial year 2017 was 0.01 times as compared to last year's ratio of 0.04 times.

The Group's cash and cash equivalents was RM17.8 million in financial year 2017, an increase from RM16.8 million in financial year 2016. This was mainly due to the proceeds from placements of shares and ESOS exercised in the financial year of 2017.

The capital expenditure spent in financial year 2017 was mainly on the purchase of factory equipment and machineries for the automation of processes and the improvement of factory facilities to increase the efficiency of production. This was financed mainly through internally generated funds. The borrowings had decreased from RM4.6 million in financial year 2016 to RM2.2 million in financial year 2017, mainly due to the repayment of its borrowings.

Based on Bank Negara Malaysia's annual report 2017, the country's overall GDP growth in 2017 grew by 5.9%, in contrast to the 4.2% growth in previous year. The Malaysian economy is projected to register a sustained growth of 5.5% - 6.0% in 2018. The Company will continue to observe a balanced portfolio and provide a diversified business.

Manufacturing Segment

The Group knows well that the manufacturing activity of its plastic injection moulding has to evolve in order to maintain its competitiveness and profitability. The Group is consolidating and rationalising its operation in the Northern region in line with its strategies to evolve itself to be a significant OEM player and to stay competitive. Strategy to improve its resources to provide the value-added and soft-skilled activities especially on the product design and research and development has been put in place to position and prepare the Group to evolve itself to be an Original Design Manufacturer (ODM) player. Over the last 5 years, the Group had invested a substantial amount of investment to position itself on a platform ready to be a significant player in the OEM & ODM industries. A lot of investment had been invested in regards to upgrade its manufacturing facilities, recruitment of skilled manpower especially in the area of research and development, engineering and quality management systems in order for it to penetrate into the global market. These expenditures had impacted the bottom-line of the Group in previous years. However, the Group is aware that these investments had to be incurred in order for the plastic injection moulding manufacturing division to stay relevant in contributing positively to the Group's financial performance.

With the strategies adopted and investment committed, the Group has successfully rolled out another OEM product for it's customers in the hygiene and pest control industry in financial year 2017. Additionally, with its comprehensive production processes and competitive price structure, the Group had also managed to secure more orders for its plastic injection moulded parts and components from its customers in the electrical and electronic industry.

These manufacturing activities have contributed to the bottom-line of the manufacturing segment, thus generating the Group's humble growth of revenue and profit in the financial year ended 31 December 2017.

Property Development & Construction Segment

The Group started its first project in property development segment in financial year 2016 for the construction of one hundred and six (106) units of terrace houses in Pengkalan Hulu, Perak. The infrastructure work is expected to complete in the financial year 2018. Further to that, the Kota Bharu project is also expected to be completed in the financial year 2018.

Additionally, the Group had entered into an agreement with GDW Mengkuang Sdn. Bhd. on 26 May 2017 to act as the project financier, project manager and contractor for the development of a portion of land situated in the state of Penang. This project is in progress and has managed to achieve a successful presale. Approximately 80% out of 122 units for Phase 2B has been booked.

Gaming & Leisure Segment

In respect of the Group's involvement in the gaming and leisure segment in Cambodia, the Group had lost some of its sales network in the financial year 2016, which had resulted in the decline of revenue. The Group has taken steps to re-strategise its plan together with its partner in this segment to reposition itself in the market to regain some of its lost sales network in the financial year ended 2016. As a result, an increase in revenue and profit in this segment was recorded. In the financial year 2017, the Group has expanded its sales network to other provinces, and at the same time gradually increased the number of agents in Cambodia. The Group is in the midst of finalising the leasing of lands for erecting hotels and development of an entertainment center. The Board of Directors is optimistic that the Gaming and Leisure segment will contribute to the growth of revenue in the near future.

Risks Assumed in Business Operations

The following are the main financial and non-financial risks that have an impact on the Group's financial management and operations:

i. Business Risk

The Group's revenue and operating results could be adversely affected by many factors which include, amongst others, market demand, fluctuation in key raw material prices, labour costs as well as volatile foreign exchange.

The Group mitigates these risks by continuously monitoring the prices of key raw materials by establishing long-term business relationship with existing suppliers, expanding the pool of suppliers and striving to improve operational efficiency to drive down the cost. There is no assurance that any of the change to the above factors will not materially affect the performance of the Group as a whole.

ii. Political, Economic and Regulatory Considerations

Adverse developments in the political, economic and regulatory conditions locally and overseas could materially and adversely affect the financial prospects of the Group. Political and economic uncertainties include, but are not limited to, risks of war, change in political leadership, global economic downturn, unfavourable changes in government policies which include interest rates, method and rate of taxation, currency exchange control or introduction of new regulations, import duties and tariffs.

Uncertainties in the future prospects would affect consumer spending and the overall demand in the industries and consequently, affect the Group's financial performance.

Any effect, however, is mitigated by the Group's diverse and wide customer base locally and overseas, and the Group will continue to adopt effective measures such as prudent management and efficient operating procedures to further mitigate these factors that may affect the Group's business.

iii. Foreign Exchange Risks

The Group operates its business internationally which exposes itself to foreign currency exchange risk, mainly from the fluctuation of United States Dollar (USD) and Singapore Dollar (SGD). The Group manages its exposure to foreign currency exchange risk in the following manner:

- Foreign currency sales and purchases in the same currency provide natural hedge against the fluctuations in the foreign currency exchange rates; and
- Maintain part of its cash and bank balances in the foreign currency accounts to meet its future obligations in foreign currencies.

There is no assurance that significant changes in the exchange rates will not have a material adverse effect on the financial position and performance of the Group.

Forward Looking Statement

Based on a report by World Bank, the world economy will be experiencing a broad-based cyclical upturn, although bringing downside risks. The growth in potential full-employment output will be flagged below its long-term average globally and among emerging markets and developing economies (EMDEs). Nevertheless, room for policy improvements remains in a global sense. Henceforth, the Group will take proactive measures to ensure that it will remain steadfast in domestic and international markets, and to optimise the opportunities presented in any economic situations.

Forward Looking Statement (Cont'd)

In regard to the trade battle between China and the United States of America (US), businesses in China will be impacted due to the tariffs imposed by the US Government. The Group views this as an opportunity for the flow of production into Malaysia for export of goods to US due to comparatively cheaper prices than from China. In addition to the stable economy and politics, as well as the good infrastructure available in Malaysia, foreign investors will be attracted to set operation and manufacturing bases in Malaysia, especially those with the intention of exporting to the United States.

The Board is of the opinion that, with the investment throughout the years, the Group had position itself to be a significant player as an OEM which will in turn bring in more revenue.

As for property development & construction segment, the number of property transactions are expected to climb due to the increasing GDP of Malaysia. As such, supply has remained resilient. Under Budget 2018, the government has increased allocation to address rising cost of living and affordable housing issues among the lower and middle income segments of the population, and this will stimulate residential sales, apart from other plans to increase the number of units of low and medium cost, affordable housing. In light of the above, the Board believes that the property development & construction segment has great potential to grow and will continue to explore the opportunities for affordable housing. The Board believes that this will enhance our revenue and profitability.

The gaming & leisure segment in Cambodia is expected to have an equally beneficial prospect. With the rise in disposable incomes for Cambodians, a larger population of Cambodians are able to participate in the lottery industry. Moreover, the current influx of tourists in Southeast Asia may also contribute to the flourishing of the gaming and leisure segment of the Group in Cambodia. The Board believes that we should be able to benefit from these opportunities.

The Board continues to explore the opportunities present in the market place either locally or abroad, from within its core business or other business sectors, to enhance its revenue and profitability. The Board believes that diversification would stabilise the Group's future earnings.

The Group will be involving itself internationally and domestically, continuously improve our infrastructure for a better financial standing going forward. Although we have no dividend or distribution policy in place currently, we look forward to rewarding our shareholders in future for their continued support and faith in us.

DIRECTORS' PROFILE

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir

Independent Non-Executive Chairman

Malaysian, Age 67, Female

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (female), a Malaysian, aged 67, was appointed as an Independent Non-Executive Chairman on 9 March 2010. YAM Tunku Datin Annie was born in Seri Menanti, Negeri Sembilan to DYMM Almarhum Tuanku Munawir, the 9th Yang DiPertuan Besar of Negeri Sembilan and DYMM Almarhumah Tuanku Ampuan Durah. She is also a younger sister to current Yang DiPertuan Besar, DYMM Tuanku Muhriz Tuanku Munawir.

YAM Tunku Datin Annie was bestowed the Darjah Kerabat YAM Tuan Radin (DKYR), the state's second highest award by DYMM Tuanku Muhriz on January 14, 2011.

YAM Tunku Datin Annie received her early education in Wycombe Abbey in Buckshire, England and upon her father's demise, returned to Malaysia to complete her education in Tunku Kurshiah College. She worked as an Administrator in several airlines amongst them KLM Royal Dutch Airlines, Royal Brunei Airlines, Saudi Arabian Airlines and British Airways.

She is the Chairman of Remuneration Committee, member of Audit Committee and Nominating Committee.

YAM Tunku Datin Annie does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Liang Wooi Gee

Deputy Managing Director

Malaysian, Age 46, Male

Mr. Liang Wooi Gee (male), aged 46, a Malaysian, was appointed to the Board of Luster as an Executive Director on 30 September 2008, and subsequently appointed as Deputy Managing Director on 28 June 2013. He is the Group Chief Financial Officer. He holds a Higher Diploma In Management Accounting and is currently a finalist of Chartered Institute of Management Accountant (CIMA).

Upon obtaining his diploma and completing the 3rd stage of CIMA, he worked as an Accounts Officer in Sharp-Roxy Corporation Sdn Bhd (SRC), an electronic manufacturing company for 2 years. In 1996, he left SRC to join Zenmax Sdn Bhd, a gold jewelry manufacturing company, as an Accounts Executive. He was with the company for 4 years before leaving the company to join Terachi Corporation Sdn Bhd (Terachi), a company involved in rubber wood manufacturing. He left Terachi in 2000 and joined Luster Industries Bhd as a Management Accountant. He was promoted to Assistant Financial Controller in 2002 and subsequently to Financial Controller in 2004 before being appointed as an Executive Director in 2008.

He is a member of the Risk Management Committee and Remuneration Committee.

He does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Phuah Cheng Peng

Executive Director

Malaysian, Age 42, Male

Mr. Phuah Cheng Peng (male), aged 42, a Malaysian, was appointed to the Board of Luster as an Executive Director on 21 July 2017. He obtained his Bachelor in Mechanical Engineering from Universiti Teknologi Malaysia.

He started his career in the planning and designing of major infrastructural work for township development, construction and project management. In 2005, he ventured into property development mainly on landed development of affordable housing in the northern region. In 2010, he managed to procure several high potential land and lead a group of professionals to pursue on high-rise and landed development in Penang, Kedah, Kelantan and Klang Valley. He was appointed as Managing Director of GSD Group of Companies and its associate companies, which are involved in property development and construction, in 2010. He had successfully completed a number of iconic projects in Penang Island with a total gross development value of more than RM 1.5 billion which consist of 1,600 units of mixed residential and commercial properties. Under his leadership, he had also completed a number of construction projects with value of more than RM650 million. He had also successfully completed 1,200 units of mixed development, mainly affordable housing and commercial units in Kedah, Penang and Kelantan with gross development value of more than RM300 million. He left GSD Group of Companies and its associate companies in 2016 but was appointed as an advisor to the Group. Currently, he is also being appointed as an advisor to few development and construction projects in the northern region.

He does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Wee Song He, Wilson

Executive Director

Singaporean, Age 38, Male

Mr. Wee Song He, Wilson (male), aged 38, a Singaporean, was appointed as an Executive Director of Luster Industries Bhd on 12 June 2012. He graduated with a Diploma in Digital Film Arts from School of Audio Engineering in 2005. He joined the private education sector for two years, where he was responsible in lecturing key programs and program coordination. In 2007, he joined Winco Precision Engineering (Melaka) Sdn Bhd (WPESB) and Winco Precision Technologies Sdn Bhd as Executive Director. Apart from being actively involved in the overall coordination, execution and management of all projects undertaken by WPESB, he is responsible for leading the company in conceptualising, formalising and implementing corporate strategies.

Mr. Wee is a member of the Risk Management Committee.

He does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Ahmad Kamal Bin S. Awab

Independent Non-Executive Director

Malaysian, Age 62, Male

Encik Ahmad Kamal Bin S. Awab (male), aged 62, a Malaysian, was appointed to the Board of Luster as an Independent Non-Executive Director on 21 July 2017. He obtained his Diploma in Credit Management and Masters of Business Administration from Brunel/Camden University through Henley Management College.

A banking and business management veteran of over 35 years plus, he has proven an exemplary track record in areas of credit and risk management, global transaction services, capital markets, corporate finance, derivatives and treasury products in his years of services with global institutions.

He started his career as a Loan Officer with MARA in 1977. He left MARA in 1978 to join Citibank Berhad and in 1998, he was the Deputy Branch Head/VP of Citibank Berhad, Penang Branch before he left Citibank Berhad to join Deutsche Bank (M) Berhad as Senior Associate Director/VP. He left Deutsche Bank (M) Berhad in year 2000 to join Permal Investment Asia Ltd, Singapore, as a Director in Business Development. In 2001, he left Permal Investment Asia Ltd to take up the post as VP for Global Transaction Services and Public Sector Sales, Asia Pacific with ABN Amro N.V., Singapore before moving back to Malaysia to join Malaysia Nasional Insurance Berhad as a Senior General Manager in the same year. In 2002 he left Malaysia Nasional Insurance Berhad to join H2O Capital Sdn Bhd as its Advisor. He was with H2O Capital Sdn Bhd for 6 years before leaving the company in 2008 to take up the position as Head of the Global Corporate and Financial Institutions for the Commercial Bank of Qatar in Doha, Qatar overseeing the International Syndication portfolios and Corporate Finance transactions as well as Remedial, Recovery Management primarily restructuring and reconstructing credit/debt defaults. In addition, he also oversees Audit, Risk Management, Corporate Governance and Compliance and where he was exposed to the aspects of another regional market covering the Middle East and North Africa. He left Commercial Bank of Qatar in 2013. He is currently an Advisor for Bridgeway Finance Limited, United Kingdom for ASEAN Region. He is also currently an Advisor to COGE Global Ventures Sdn Bhd and Director of Leverage3 Consulting Sdn Bhd. In addition, he is the CEO of Premium Capital Partners Sdn Bhd, a non-bank lender pioneer in General Insurance Premium Financing business of extending credit to policyholders (insured) to pay insurance premium.

He has constantly re-engineered and updated himself in the field of finance and risk management through various courses and seminars attended in his personal capacity.

He is the Chairman of Audit Committee and a member of the Risk Management Committee and Remuneration Committee.

He does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Mohamed Shukri bin Mohamed Zain

Independent Non-Executive Director

Malaysian, Age 53, Male

Encik Mohamed Shukri bin Mohamed Zain (male), a Malaysian, aged 53, was appointed as an Independent Non-Executive Director on 9 March 2010. He received his early education in King George V School in Seremban. Subsequently, he obtained his Bachelor of Science in Business Administration (Marketing and Finance) from Winthrop University, South Carolina, USA in 1987.

Upon returning from the US, he was employed by the Federal Land Development Authority Group where he first served as a Purchasing Officer in FELDA Trading Corporation. Thereafter, he was transferred to FELDA Marketing Corporation (FELMA) in 1991. In 1993, he was put in charge of FELMA's London office, which served as Malaysia's main palm oil trading office for both the European and the American markets. In 1996, Mohamed Shukri together with some partners incorporated a logistics company, MayGlobe Logistics (M) Sdn Bhd. He was one of the main shareholders and served as the Group Managing Director from the inception of the company until late 2006. He is the Managing Director of Nano Quest (M) Sdn Bhd, a company which treats palm oil mill effluent as well as a director of Greater Tampin Oto Sdn Bhd operating a Honda distributorship in Negeri Sembilan.

He is the Chairman of Nominating Committee and Risk Management Committee and a member of the Audit Committee.

He does not have any family relationship with any other directors and/ or major shareholders of the Company and has no conflict of interest with the Company.

Note:
1. Other than traffic offences, none of the Directors of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
2. The Directors' shareholdings are as disclosed in page 37of this Annual Report.
3. None of our Directors hold or have held any directorship in other public companies and listed companies.

KEY SENIOR MANAGEMENT PROFILE

Liang Wooi Gee

Deputy Managing Director and Group Chief Financial Officer

The profile of Mr Liang Wooi Gee is listed under Board of Directors' Profile on page 11 of this Annual Report.

Lim See Chea

Managing Director of Exzone Precision Engineering Sdn Bhd (Formerly known as Luster Precision Engineering Sdn Bhd)

Mr. Lim See Chea (male), aged 62, a Malaysian, is the founder of Luster. He completed his secondary education in 1974. He was appointed to the Board of Luster on 19 September 1986. Subsequently, he was appointed as the Managing Director on 18 October 2002. He was redesignated to Executive Director on 7 June 2016 and retired as an Executive Director on 23 May 2017.

His involvement in the plastic injection moulding industry began in 1979 when he joined Sonico Industries as a Supervisor. In 1984, he went into a partnership to establish Unicorn Industries. He left the partnership in 1985 to form Malathaico Sdn. Bhd. where he was appointed as Operations Director. In 1986, he left Malathaico to establish Luster until now. As the founder, he has been the driving force behind the development, growth and expansion of the Luster Group. His extensive experience in the plastic injection moulding industry as a result of more than 30 years of experience in the industry has been instrumental in the success of Luster Group.

He does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Lim See Meng

Managing Director of Exzone Plastics Manufacturers Sdn Bhd (EPM)

Mr. Lim See Meng (male), aged 64, a Malaysian, is the Managing Director of EPM. He completed his secondary education in 1976. His involvement in the plastic moulding industry began in 1977 when he joined Italy Art Industry as Supervisor. In 1978, he formed a joint venture company called Eully Plastics Industry Sdn Bhd (Eully) where he was responsible for the operations of Eully. He left Eully to establish Sonico Industries Sdn Bhd in 1979, where he focused on business development and operations management. In 1984, he joined EPM as Director and subsequently become the Managing Director on 19 May 2009. He is instrumental in developing the business of EPM from a conventional household moulder to a high precision and finishing injection moulding company specializing in high finishing Electronic & Electrical products. As one of the pioneers in the company, he has been the driving force behind the development, growth and expansion of EPM.

He does not have any family relationship with any other directors and/or major shareholders of the Company and has no conflict of interest with the Company.

Tan Kim Cheang

Executive Director of Exzone Plastics Manufacturers Sdn Bhd (EPM)

Mr. Tan Kim Cheang (male), aged 49, a Malaysian, is the Executive Director of EPM. He completed his secondary education in 1987. He joined QCD (M) Sdn Bhd (QCD), a plastic injection moulding company, in 1988 as a Quality Controller. With his experiences in quality control, he was promoted to a Project Coordinator in 1990. In 1991, he was designated to be in-charged of customer service and coordination. He had gained extensive experiences from quality management to operation and marketing management during his tenure with QCD. He left QCD in 1993 to join EPM as Assistant Marketing Manager and since then he had worked his way to be the Executive Director on 19 May 2009. He is currently responsible for the marketing and operation management of EPM.

He does not have any family relationship with any other directors and/ or major shareholders of the Company and has no conflict of interest with the Company.

KEY SENIOR
MANAGEMENT PROFILE (Cont'd)

Wee Song He, Wilson

Executive Director of Winco Precision Engineering (Melaka) Sdn Bhd (WPE)

The profile of Mr Wee Song He, Wilson is listed under Board of Directors' Profile on page 12 of this Annual Report.

Zaibidi Bin Mahamod

Managing Director of Winco Precision Engineering (Melaka) Sdn Bhd (WPE)

Encik Zaibidi Bin Mahamod (male), aged 56, a Singaporean with a Malaysian permanent resident status is the Managing Director of WPE. He graduated with a Master Craftman Certificate from Precision Institude Engineering. He has 15 years of experience in R&D and production with ordinance development and engineering with Singapore Technology Group before joining WPE in 1996 as Assistant Manager responsible to set-up Pattern Mould Machining Department and subsequently appointed as Director of WPE on 5 August 2004.

He does not have any family relationship with any other directors and/ or major shareholders of the Company and has no conflict of interest with the Company.

Phuah Cheng Peng

Managing Director of Luster Construction Sdn Bhd and Luster Venture Sdn Bhd.

The profile of Mr Phuah Cheng Peng is listed under Board of Directors' Profile on page 11 of this Annual Report.

Goh Khoon Hau

Group Financial Controller

Goh Khoon Hau (male), aged 47, a Malaysian, is the Group Financial Controller. He is a member of the Malaysian Institute of Accountants. He obtained his professional qualification in Association of Chartered Certified Accountants (ACCA) in year 2000.

He started his career in an international accounting firm in 1996. He left the auditing sector in year 1998 and held a position of internal auditor in a Multi National Company until year 2000. In 2000, he left to join Exzone Precision Engineering Sdn Bhd (Formerly known as Luster Precision Engineering Sdn Bhd) as Assistant Manager. He was promoted to Manager in 2006 and subsequently to Group Financial Controller on 26 August 2008.

He does not have any family relationship with any other directors and/ or major shareholders of the Company and has no conflict of interest with the Company.

Note:

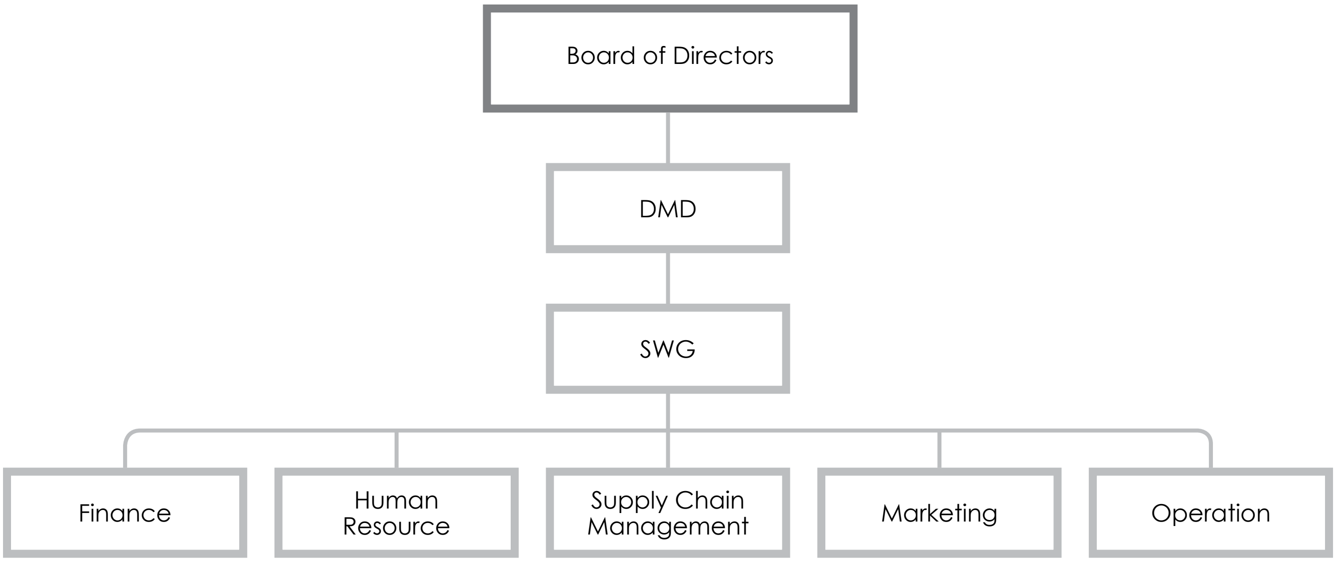
1. Other than traffic offences, none of the Key Senior Management of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
2. None of our Key Senior Management hold or have held any directorship in other public companies and listed companies.

SUSTAINABILITY STATEMENT

Sustainability is of paramount importance to the Group. Our inaugural Sustainability Statement (the Statement) supports how we at Luster Industries Bhd (LIB) embrace sustainability as part of our daily business. Sustainable practices are integral to carry out our business and we have categorised our commitment into three aspects of sustainability i.e. Economic, Environmental and Social (EES). The Group are committed to the advancement of the larger society while still undertaking the fundamental purpose of an enterprise.

GOVERNANCE STRUCTURE

The Sustainability Working Group (SWG), chaired by the Group Financial Controller, is overseeing the performance of the Group's sustainability efforts and reporting to Group Deputy Managing Director (DMD) who is tasked with overseeing the implementation of sustainability strategies set by the Board of Directors (the Board). The Board is ultimately accountable for setting up sustainability strategies.



SCOPE AND BASIS

This Statement covers LIB and its subsidiary, namely Exzone Precision Engineering Sdn Bhd (Formerly known as Luster Precision Engineering Sdn Bhd) (EPE) located in Malaysia. Information disclosed in this Statement encompasses our activities related to manufacturing, assembly and sale of plastic moulded components and parts, which together contribute to more than 35% of the Group's total revenue.

This Statement discloses the material sustainability matters and impacts arising from the activities of the Group during the financial year ended 31 December 2017. This Statement has been prepared in accordance with the Practice Note 9 of the Main Market Listing Requirements of Bursa Securities, in particular, Part III on Sustainability Statement.

STAKEHOLDERS ENGAGEMENT

We have identified stakeholders in our operating environment and platforms to be used to engage with all the different stakeholders as indicated in the table below.

Stakeholders	Engagement Platforms	Engagement Areas
Shareholders	- Annual General Meeting - Financial statements - Press releases	- Financial performance - Share performance
Customers	- Feedback survey - Customer audits - Manufacturing collaborations - Face-to-face interaction	- Manufacturing quality - Manufacturing capacity - Equitable business operations
Suppliers	- Evaluations/Re-evaluations - Face-to-face interaction	- Terms of payment - Maintaining partnerships

STAKEHOLDERS ENGAGEMENT (Cont'd)

Stakeholders	Engagement Platforms	Engagement Areas
Employees	- On-going training - Corporate organised events - Internship opportunity - Employee performance appraisal	- Occupational safety & health - Human resource management
Government/ Regulatory Authorities	- Ongoing transactions - Formal and informal meetings - Participation in government programmes and initiatives	- Manufacturing issues and policy - Compliance to applicable laws - Economy, Environmental, and Social impacts - Collaborative programmes
Local Communities	- Donations - Sponsorship to sports activities	- Support towards community development - Undertaking business in a responsible manner

MATERIALITY ASSESSMENT

Materiality assessment process was conducted to identify the economic, environmental and social risks and opportunities (Sustainability matters) most crucial to our business and stakeholders. This provides clarity and direction on what the Group should be reporting and scoping. A review of our operating environment has been done to identify a list of sustainability matters both relevant to our Company and the sector we operate in. We subsequently prioritise the material sustainability matters from a business perspective. Relying upon our Sustainability Pillars, efforts undertaken to manage our material sustainability issues have been incorporated into our operations.

		Sustainability Pillars		
		Economic	Environmental	Social
Material Sustainability Matters	Customer Satisfaction	▲		
	Occupational Health and Safety			■
	Waste Management		●	
	Lean Manufacturing	▲		
	Employee Welfare			■
	Supply Chain Management	▲		
	Noise Pollution Control		●	
	Air Emissions		●	
	Corporate Social Responsibility			■

Legend: ▲ Economic ● Environmental ■ Social

ECONOMIC

CUSTOMER SATISFACTION

LIB continuously monitor and maintain our customers' satisfaction level in order to provide high quality experiences to our customers. We are committed to provide high quality service and product at a competitive pricing level, while ensuring on-time delivery.

We regularly gather customers' feedback through surveys focusing on our products quality, punctual delivery, competitive cost, and cordial service.

All of our esteemed customers are provided a survey form with 4 major categories, and questionnaires with feedbacks rating from 1 to 5 (1 being the lowest rating).

The annual average performance rating in 2017 is 3.9, while rating for 2016 is 3.6. Our management target for overall customer performance rating is 3.0 and above.

Base on the survey, we have improved on the level of customer satisfaction, and it is our top priority to achieve and maintain high customer satisfaction level.

Customer Performance Rating		
2016	2017	Target
3.6	3.9	3.0

We will continue to improve our customer satisfaction level by focusing on the 4 main categories, while listening to valuable feedback from them.

Feedback Channel	Frequency	Categories
Customer Satisfaction Survey form	Annually	1) Quality 2) Delivery 3) Cost 4) Service

LEAN MANUFACTURING

In EPE, we implement Lean Manufacturing Program which focuses in reducing wasteful practices, processes and materials, defects in production and processes and improving quality and productivity.

EPE has implemented the 6S workplace organization method i.e. Seiri (Sort), Seiton (Set in Order), Seiso (Shine), Seiketsu (Standardise), Shitsuke (Sustain) and Safety in workplace management in order to achieve enhanced working environment, human capabilities as well as productivity. In our efforts to ensure constant observance of the 6S principles, monthly audit and inspections are performed at every department.

The table below shows a list of innovations that we have implemented.

ACTION	IMPACTS
OBJECTIVE 1: Remove unnecessary process to eradicate over processing	
Buffing process perform immediately after moulded part	Reduction of manpower, cycle time and WIP inventory
Reduce process waiting time	Reduction of total process days
Remove unnecessary process	Reduction of total manpower & improve line balancing
OBJECTIVE 2: Reduce cycle time	
Reduce cycle time by improve water flow condition	Increase production output from 23 pieces per hour to 28 pieces per hour
OBJECTIVE 3: Line rebalancing mainline to reduce waiting time on process	
Additional spraying quantity in one jig	Increase Hourly output from 2200 pieces to 3960 pieces

SUPPLY CHAIN MANAGEMENT

EPE has various initiatives in place to work towards a more sustainable Supply Chain Management. All Supply Chain Management activities are monitored and managed by the Supply Chain Department.

EPE's Social Responsibility Directive requires continuous improvement of supplier standards towards EPE's Corporate Social Responsibility (CSR) principles. As a tool in this respect, EPE has prepared Supplier Declaration reflecting our CSR principles which all potential suppliers are requested to sign. The intention is to increase awareness and improve transparency of CSR in the supply chain. The declaration encompassing:

- Compliance with Laws
- Improper Payments
- Hospitality and Expenses
- Conflict of Interest
- Minimum Age of Labour
- Forced Labour
- Freedom of Association & Right to Collective Bargaining
- Working Hours
- Wages
- Employment Practices
- Minority Rights
- Environment
- Health and Safety
- Selection of Business Partners, Agents and other intermediaries
- Standards towards own Suppliers

ENVIRONMENTAL

WASTE MANAGEMENT

EPE is a leading manufacturer of plastic products in the region, recognises the important of environmental management in conducting its business activities. Given the nature and size of our operations, our processes produce significant amount of waste. EPE is committed to operate in compliance with applicable environmental laws and regulations. EPE has been certified with the ISO 14001:2004 Certification for Environmental Management Systems.

A 6S committee has been formed to monitor our waste and improve waste management in EPE.

EPE categories waste as scheduled and non-scheduled waste as per Malaysian regulations. Scheduled waste is collected by Department of Environment (DOE) approved contractors pursuant to the Environmental Quality (Schedules Wastes) Regulations, 2005. Non-scheduled waste on the other hand is scrapped or collected by DOE approved license to be recycled or disposed at landfills.

The main non-schedule waste streams generated by EPE are:

- Paper
- Wood
- Plastic

In our effort to reduce waste generation, we practise reducing, reusing and recycling of resources.

NOISE POLLUTION CONTROL

As noise is inevitable in some of EPE's processes, we have implemented measures to mitigate the impact to both our workers. In particular, location near crusher and cooling tower have been identified as the process that generates the highest noise levels as shown in the table below.

LOCATION	DAY TIME PERMISSIBLE SOUND LEVEL: 70dBA		NIGHT TIME PERMISSIBLE SOUND LEVEL: 60dBA	
	2016 AVERAGE	2017 AVERAGE	2016 AVERAGE	2017 AVERAGE
1) Guard post	60.8	**53.7**	57.5	**52.4**
2) Near admin building	58.6	**55.7**	58.2	**53.3**
3) Near crusher	75.5	**65.5**	59.7	**45.8**
4) Near cooling tower	68.8	**59.4**	70.0	**54.4**

NOISE POLLUTION CONTROL (Cont'd)

An Environmental Management System Committee is formed to coordinate and enforce Environmental Management activities. In order to mitigate employee noise exposure, we provide Personal Protective Equipment (PPE) such as hearing protections to those working in sections with higher noise exposure. Audiometry test is carried out periodically to monitor employee's risk of detrimental exposure to noise.

AIR EMISSIONS

EPE does not generate significant air emissions but that does not exclude us from meeting regulatory standards set by the DOE pursuant to the Clean Air Regulation (2014). Environmental Management System Committee regular air emissions monitoring through sampling in order to ensure adherence to DOE's limits.

2017 CHIMNEY	PARAMETER	REMARK
Chimney 1	Particulate matter	COMPLIED
Chimney 2	Particulate matter	COMPLIED

SOCIAL

OCCUPATIONAL HEALTH AND SAFETY

EPE is committed to give high priority to provide a safe and healthy working environment for all employees. EPE has been certified with the ISO 18001:2007 Certification for Occupational Health and Safety Management Systems.

In the spirit of consultation and cooperation, the company and employees will together strive to achieve the following objectives:

- To provide and maintain a safe and healthy working environment, prevent injury or ill health and comply with safe working practices;
- To comply with legal requirement on safety and health, its regulations and standards and where adequate laws do not exist, adopt and apply standards that reflect the company's commitment to safety and health;
- To implement sufficient risk control measures provide personal protective equipment to employees whose work nature is exposed to work injuries or occupational diseases;
- To investigate all accidents and near misses and take effective corrective and preventive measures to prevent job related injuries and illnesses;
- To educate, train, inform and instruct employees through environmental, safety and health awareness programmes; and
- To continually improve overall performance in occupational health and safety management systems.

In our effort to achieve the above objectives, the number of incidents is tracked, consolidated on a monthly basis and disclosed annually.

Year	Number of Incidents
2016	2 cases
2017	3 cases

An Occupational Safety and Health Committee are formed to coordinate and enforce safety and health activities. This committee undertakes appropriate reviews and evaluation of the operation from time to time for improvement.

In 2017, the following safety and health events have been organised:

Event	2016	2017
Employee Health Screening Program	36 participants	42 participants
Tertiary Education Student Visit	2 sessions	3 sessions
Lunch Talk (Health & Safety)	4 sessions	5 sessions
Chinese Alternative Treatment Program	12 sessions	12 sessions
Medical Surveillance	14 participants	26 participants
Audiometry Test	5 participants	5 participants

SOCIAL (Cont'd)

OCCUPATIONAL HEALTH AND SAFETY (Cont'd)

We acknowledged that safety and health activities are self-checks and can be improved through training and development. In order to continuously improve our safety culture, the following training has been conducted:

Training	2016	2017
Chemical Handling	20 participants	25 participants
EPR training	20 participants	15 participants
Forklift & Stacker Safety Driving	20 participants	25 participants
Hearing Conservation Program	4 participants	5 participants

EMPLOYEE WELFARE

The Group recognising that the personnel are the driving force behind our growth and operational success.

There is a recreation club where activities are organized for employees and management staff to participate and interact.

The following events were organised in the financial year 2017 by EPE for company interaction activities.

Activities	Date	Remarks
Diet Talk	09 March 2017	Metro Specialist Hospital
Nerve Problem	06 July 2017	Pantai Hospital
Stroke	10 September 2017	Metro Specialist Hospital
Hygiene Talk	05 November 2017	Aman Jaya Specialist Hospital
Stress Management	08 December 2017	Pantai Hospital

As employees are viewed as the greatest asset, the Group continuously organise various trainings and participate in seminars aiming to upgrade their skills and knowledge. Training is important to ensure that our employees have the required competencies to perform their work and deliver their best output.

At EPE, 2 types of training, i.e. on-the-job trainings and trainings provided by external trainers, are provided to employees. We have organized various soft skill and technical trainings for our employees.

CORPORATE SOCIAL RESPONSIBILITY

The Group has over the years contributed generously to Kuala Muda Badminton Association (KMBA) to promote badminton sports in the Kuala Muda district. Many students in Northern Malaysia were trained under KMBA including Dato' Lee Chong Wei and Mr Chong Wei Feng.

Apart from that, the Group also recognises its social responsibility by contributing to communities and is actively involved in local community projects by way of donations including Royal Seri Menanti Golf & Country Club, Universiti Sains Malaysia and TAR University College.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors of Luster Industries Bhd. (the Board) fully appreciates the importance of adopting high standards of corporate governance within the Group to ensure that the principles and recommendations of the Malaysian Code on Corporate Governance (the Code) are practiced throughout the Group as a mean of conducting the business and affairs of the Group with honesty, integrity and professionalism so as to enhance business prosperity and corporate accountability with aim to protect the interest of shareholders, whilst ensuring at the same time the interest of other stakeholders are safeguarded.

The Board is thus committed to the maintenance of high standards of corporate governance by supporting and implementing, wherever applicable, the prescriptions of the principles set out in the Code.

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (CG Report). This CG Report was announced together with the Annual Report of the Company on 30 April 2018. Shareholders may obtain this CG Report by accessing the Company's website at https://www.lustergroup.com for further details.

Principle A: Board Leadership and Effectiveness

1.1 Board Responsibilities

The Board is responsible for the overall corporate governance of the Group, including the strategic direction, risk management and establishes the vision and strategic objectives of the Group for development which includes management development, succession planning and policies to ensure all procedures within the Group are to be carried out in a systematic and orderly manner to ease the decision-making process.

There is a clear division of responsibilities between the Chairman and the Deputy Managing Director to ensure a balance of power and authority, as defined in the Group's Board of Charter. The Board has adopted a charter which sets out the duties, responsibilities and function of the Board in accordance with the principles of good corporate governance. The Board Charter (the Charter) will be reviewed periodically in order to ensure consistency with the Board's strategic intent and relevant standards of corporate governance. The Charter is published on the Company's website at https://www.lustergroup.com. The Chairman is responsible for ensuring the Board's effectiveness and conduct, whilst the Deputy Managing Director has overall responsibility for the operating units, organizational effectiveness and implementation of Board's policies and decisions.

The Senior Management carries out the role of managing the business of the Group under the direction and delegations of the Group Deputy Managing Director and Executive Directors.

The Board has adopted a Code of Conduct and a Code of Ethics (the Codes) which are incorporated in the Board Charter of the Company, and also available on the Company's website at https://www.lustergroup.com. The Code of Conduct spelled out the governance to the management, directors and officers of the Group, including dealing of confidential information and safeguarding of the Group's assets. The Code of Ethics formulates the principles and commitments to be applied by the Directors of the Company such as immediate disclosure of all contractual interests whether directly or indirectly with the Company and at all time acts with utmost good faith for the best interest of the shareholders and the Company. In adhering to good corporate governance practices and with the introduction of the Whistle Blower Protection Act 2010, the Board has put in place a Whistle Blowing Policy (the Policy) as an avenue for employees and stakeholders to report genuine concerns about unethical behaviour, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. Further details of the Board Charter, Code of Conduct and Whistle Blowing Policy are set out in Practice 2.1, 3.1 and 3.2 in the CG Report, and are also available on the Company's website.

The Directors also have direct access to the advice and services of the Company Secretary. The Directors are regularly updated and advised by the Company Secretary on new statutory and regulatory requirements and their impact and the implication on the Company and Directors in carrying out their fiduciary duties and responsibilities.

The Board is scheduled to meet at least four (4) times a year, with additional meetings convened when urgent and important decisions need to be taken in between scheduled meetings. The Board will deliberate on variety of matters including the Group's financial results and risk management. The Directors are provided with agendas on matters which required for their consideration and approval issued before each meeting.

Principle A: Board Leadership and Effectiveness (Cont'd)

1.1 Board Responsibilities (Cont'd)

During the financial year, the Board met six (6) times, where it deliberated upon and considered a variety of matters including the Group's financial results and risk management. The attendance of the Directors who held office during the financial year ended 31 December 2017 is set out below:

Name	No. of meetings held and attended by Directors
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir (Independent Non-Executive Chairman)	4/6
Liang Wooi Gee (Deputy Managing Director)	6/6
Phuah Cheng Peng (Executive Director) *	3/3
Wee Song He, Wilson (Executive Director)	6/6
Ahmad Kamal Bin S. Awab (Independent Non-Executive Director) *	3/3
Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)	6/6
Lim See Chea (Executive Director) ^	1/2
Lau Theng Chim (Independent Non-Executive Director) ^	2/2

^ *Retired on 23 May 2017*
* *Appointed on 21 July 2017*

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 31 December 2017.

The Board acknowledges the importance of continuous education and training to enable effective discharge of its duties and encourage Directors to attend talks, training programs and seminars to update themselves on new developments in the business environment. The Board will through the Nominating Committee to evaluate and determine the training needs of its Directors on an annual basis.

All Directors have attended the Mandatory Accreditation Training Programme during the financial year ended 31 December 2017 as required by Bursa Securities and will continue to attend other relevant training programmes as appropriate to enhance their skills and knowledge.

During the financial year, the seminars and training programmes attended by various members of the Board included the followings: -

Date	Name of Director	Seminar / Training
06 and 07 November 2017	Phuah Cheng Peng, Ahmad Kamal Bin S. Awab	Mandatory Accreditation Programme for Directors of Public Listed Companies
21 November 2017	Liang Wooi Gee	Sustainability Report and Management Discussion and Analysis – What a Director Needs To Know

All Directors are encouraged to continue to identify and attend appropriate seminars, conferences and courses to keep abreast with the developments in the business environment as well as the current changes in laws and regulations to enhance their knowledge and skills.

Saved as disclosed above, YAM Tunku Datin Annie Dakhlah bte Almarhum Tuanku Munawir, Mr Wee Song Hee, Wilson and Encik Mohamed Shukri bin Mohamed Zain were not able to attend any seminars and / or training programmes during the financial year due to overseas travelling and their busy work schedule. However, they have kept themselves abreast on financial and business matters through readings and attending customers' and suppliers' meetings to enable them to contribute to the Board. They are also aware of their duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with new regulatory developments and requirements in compliance with the Listing Requirements on continuing education.

Throughout the year, updates and briefings, particularly on regulatory, industry, technology and legal developments was provided to the Board together with Board papers, to acquaint them with the latest developments in these areas.

Principle A: Board Leadership and Effectiveness (Cont'd)

1.2 Board Composition

The Board currently consists of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. The Board is led by an Independent Non-Executive Chairman. The number of Independent Non-Executive Directors is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), which requires the Board to have at least two (2) or 1/3 of the Board of Directors, whichever is higher, to be Independent Directors.

The Board has within it, professionals drawn from varied backgrounds who bring with them in-depth and diversity in experience and expertise to the Group's operations. Together with Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

The Board has delegated specific duties to four (4) subcommittees (Audit, Nominating, Remuneration and Risk Management Committees). These Committees have the authority to examine particular issues and report the same to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

1.2.1 Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external auditors.

The Chairman of the Audit Committee reports to the Board the outcome of the Committee meetings.

The Audit Committee consists of three (3) Directors, all of whom are Independent Non-Executive Directors. The terms of reference is available on the Company's website at https://www.lustergroup.com and the activities of the Audit Committee during the financial year are presented under the Audit Committee Report on pages 31 to 33 of this Annual Report.

1.2.2 Nominating Committee

The Nominating Committee comprises of two (2) Independent Directors and their attendance of meetings during the financial year 2017 is as follows:

Nominating Committee	Position in Nominating Committee	Directorate	Attendance
Mohamed Shukri Bin Mohamed Zain	Chairman	Independent Non-Executive Director	2/2
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir	Member	Independent Non-Executive Director	2/2
Lau Theng Chim^	Member	Independent Non-Executive Director	1/1

^ *Retired on 23 May 2017*

The Nominating Committee is responsible for:
- Membership to the Board of Directors and Board Committees.
- Determining criteria for Board membership and annual review of the effectiveness and efficiency of the Board.
- Evaluating and proposing new appointments to the Board.
- Establishing a succession plan at the Board level and a framework for appointment, development and succession for senior management of the Group.
- Recommending appropriate training for Directors.
- Reviewing the term of office of Audit Committee and each of its members annually.

Principle A: Board Leadership and Effectiveness (Cont'd)

1.2 Board Composition (Cont'd)

1.2.2 Nominating Committee (Cont'd)

The Nominating Committee has developed criteria to assess the effectiveness of the Board, the Board committees and individual Director. The evaluation on the Board's effectiveness is divided into the following key areas: -

- Adding Value
- Conformance
- Stakeholder Relationship
- Performance Management

The evaluation process also assesses the competencies of each Director in the areas of their character, experience, integrity, competence and time they contributed to the Board.

The Nominating Committee also undertakes annual assessment of the independence of its independent directors based on criteria of independence as per requirements of Main Market Listing Requirements.

For the selection of new candidates to the Board, the Management team will source from their network of contacts and recommend to the Nominating Committee. The Nominating Committee will review the profile of candidates, consider the background and experience of candidates, taking care that the candidates have sufficient time available to devote to the position also evaluate the balance of skills, knowledge and experience on the board, before recommending to the Board of Directors for final selection.

The Nominating Committee reviews the nominations for re-appointments to the Board and to Board Committees and submits recommendations for approval by the Board, taking into account whether the Directors retiring at the Annual General Meeting (AGM) are properly qualified for re-appointment by virtue of their skills, experience and contributions.

In accordance with the Company's Constitution (the Company's Articles of Association as adopted before the commencement of the Companies Act 2016), at least one-third of the Directors for the time being, including the Managing Director, are subject to retirement by rotation at each AGM if their number is not three (3) or multiple of three (3), the number nearest to one-third shall retire from office. The Directors to retire in AGM are the Directors who have been longest in office since their appointment or re-election. New Directors appointed to the Board shall also retire at the AGM following the appointment. In any of the circumstances, the Directors are eligible for re-election. These provide an opportunity for shareholders to renew their mandate. The election of each Director is voted on separately. Accordingly, Messrs Liang Wooi Gee, Phuah Cheng Peng and Ahmad Kamal Bin S. Awab who are eligible, will be offering themselves for re-election at the forthcoming AGM.

The Nominating Committee had met twice during the financial year and its activities are summarised as follows:

- Reviewed the current board structure, size and composition;
- Reviewed and assessed the Board of Directors mix of skills, experience and other qualities, including core competencies which directors should bring to the board;
- Assessed the effectiveness of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual director;
- Assessed the performance of Independent Directors;
- Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles;
- Reviewed and recommended the re-election or re-appointment of Directors who were retiring and seeking for re-election or re-appointment at the 30^{th} AGM;
- Recommended to the Board on the appointment of Encik Ahmad Kamal Bin S. Awab as member of Remuneration Committee and member of Risk Management Committee; and
- Reviewed the term of office and performance of Audit Committee and each of its members.

The Nominating Committee and the Board does not set any target on gender, ethnicity and age diversity. Currently, the Company will provide equal opportunity to candidates who have the necessary skills, experience, competencies and other attributes regardless of gender, ethnicity and age. Nonetheless, the Company already has a well-diversified Board and the current composition of the Board with a female director, YAM Tunku Datin Annie Dakhlah Binti Tuanku Munawir.

Terms and reference of Nominating Committee is published on the Company's website at https://www.lustergroup.com.

Principle A: Board Leadership and Effectiveness (Cont'd)

1.2 Board Composition (Cont'd)

1.2.3 Remuneration Committee

The Remuneration Committee comprises of majority of independent directors and their attendance of meeting during the financial year 2017 is as follows:

Remuneration Committee	Position in Remuneration Committee	Directorate	Attendance
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir	Chairman	Independent Non-Executive Chairman	2/2
Liang Wooi Gee	Member	Deputy Managing Director	2/2
Ahmad Kamal Bin S. Awab #	Member	Independent Non-Executive Director	1/1
Lau Theng Chim ^	Member	Independent Non-Executive Director	1/1

^ Retired on 23 May 2017
 # Appointed on 25 August 2017

The Remuneration Committee is governed by its terms of reference and its primary function is responsible for recommending to the Board from time to time, the remuneration framework and package of the Executive Directors in all forms to commensurate with the respective responsibilities and contributions of the Executive Directors to the Group. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. The Executive Directors are to abstain from deliberations and voting on the decision in respect of their own remuneration packages.

The Board as a whole decides on the remuneration of the Non-Executive Directors, including the Non-Executive Chairman. The individual concerned should abstain from deliberations of their own remuneration packages. The Remuneration of Non-Executive Directors takes into account their level and quality of contribution and their respective responsibilities including attendance and time spent at Board and Board Committees meetings. Non-Executive Directors are paid a basic fee and additional fees for serving on any of the Board committees. Directors' fees are subject to shareholders' approval at the forthcoming AGM.

The Committee held two meetings during the financial year 2017 to review Directors' fees and remuneration package of Executive Directors. The Directors are satisfied with the current levels of remuneration, which are in line with the responsibilities expected by the Company. In general, the remuneration is structured so as to link reward to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned.

The details of the remuneration of Directors for the financial year ended 31 December 2017 are as follows:

	Fees RM'000		Salaries RM'000		Other emoluments RM'000		Total RM'000	
	Group	Company	Group	Company	Group	Company	Group	Company
Executive Directors								
Liang Wooi Gee	36	36	277	-	73	-	386	36
Phuah Cheng Peng #	10	10	97	-	25	-	132	10
Wee Song Hee, Wilson	24	24	227	-	80	-	331	24
Lim See Chea ^	25	25	158	-	54	-	236	25
Balance Carried Forward	95	95	758	-	232	-	1,085	95

Principle A: Board Leadership and Effectiveness (Cont'd)

1.2 Board Composition (Cont'd)

1.2.3 Remuneration Committee (Cont'd)

	Fees RM'000		Salaries RM'000		Other emoluments RM'000		Total RM'000	
	Group	Company	Group	Company	Group	Company	Group	Company
Balance Brought Forward	95	95	758	-	232	-	1,085	95
Non-Executive Directors								
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir	72	72	-	-	3	3	75	75
Ahmad Kamal Bin S. Awab #	15	15	-	-	2	2	17	17
Mohamed Shukri Bin Mohamed Zain	36	36	-	-	4	4	40	40
Lau Theng Chim ^	20	20	-	-	1	1	21	21
Total	238	238	758	-	242	10	1,238	248

^ Retired on 23 May 2017
 # Appointed on 25 August 2017

Terms and reference of Remuneration Committee is published on the Company's website at https://www.lustergroup.com.

1.2.4 Risk Management Committee

The Risk Management Committee (RMC) comprises the following members:

Risk Management Committee	Position in Risk Management Committee	Directorate
Mohamed Shukri Bin Mohamed Zain	Chairman	Independent Non- Executive Director
Liang Wooi Gee	Member	Deputy Managing Director
Ahmad Kamal Bin S. Awab #	Member	Independent Non-Executive Director
Wee Song He, Wilson	Member	Executive Director
Lau Theng Chim ^	Chairman	Independent Non- Executive Director

^ Retired on 23 May 2017
 # Appointed on 25 August 2017

The RMC has the overall responsibility for overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies across the organization as well as identification and management of strategic business risks of the Group. Its primary roles include ensuring the implementation of the objectives outlined in the Risk Management Policy and compliance with them, working with the Group Financial Controller and Internal Auditor in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approval of the Audit Committee and Board.

Other ad hoc roles and responsibilities are proposing to the Board the monetary threshold and nature of proposed investments that require the RMC's evaluation and endorsement before submission to the Board, reviewing proposals/feasibility studies prepared by project sponsor which meet the requisite threshold before recommending to the Board for final decision.

Principle A: Board Leadership and Effectiveness (Cont'd)

1.2 Board Composition (Cont'd)

1.2.4 Risk Management Committee (Cont'd)

Terms and reference of Risk Management Committee is published on the Company's website at https://www.lustergroup.com.

PRINCIPLE 2: Effective Audit and Risk Management

2.1 Sound Risk Management Framework

The Board assumes responsibility for the effective stewardship and management of the Company with the strategic objective to build and deliver long term shareholder value whilst meeting the interests of shareholders and other stakeholders.

The Board provides strategic direction and formulates appropriate corporate policies to ensure the Group's resources and profitability are optimised. The Board is also responsible for assessing the integrity of the Group's financial information and the adequacy and effectiveness of the Group's internal control and risk management processes.

An overview of the state of internal controls and risk management within the Group is set out on pages 29 and 30 in this Annual Report under the Statement on Risk Management and Internal Control.

2.2 Internal Audit Function

The internal audit function is set out in the Audit Committee Report on page 32 of this Annual Report.

PRINCIPLE 3: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Communication with Stakeholders

The Company values good communication with shareholders and investors. Its commitment, both in principle and practice, is to maximise transparency consistent with good governance except where commercial confidentiality dictates otherwise.

The Company also believes that timely and quality disclosure of significant or price sensitive information is an essential practice of good corporate governance. Hence, the Company gives full disclosure in all public announcements via Bursa Securities, press releases and annual reports.

Conduct of General Meetings

The general meetings, including AGM and EGM are the principal forums for dialogue and interaction with the shareholders of the Company. During the financial year of 2017, two (2) general meetings were held, which were the 30th AGM held on 23 May 2017 and the EGM held on the same day, following the adjournment of the AGM. The Board encourages shareholders' active participation at the Company's AGM and endeavours to ensure all Board Members, Senior Management and the Group's External Auditors are in attendance to respond to shareholders' enquiries. At the AGM, the Board presents the performance of the Group as contained in the Annual Report and shareholders presence are given the opportunity to present their views or to seek more information. Resolutions tabled and passed at the AGM are released to Bursa Malaysia on the same day.

Directors' Responsibility Statement in Respect of the Preparation of Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their profit or loss and cash flows for the financial year. In preparing the financial statements, the Directors have ensured that Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 have been applied. In preparing the financial statements, the Directors have used and applied consistently appropriate accounting policies and made reasonable and prudent judgment and estimates. The Directors also have a general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

COMPLIANCE WITH THE CODE

The Board is satisfied that, save as disclosed earlier, the Company has in all material aspects, complied with the principles and recommendation set out in The Code that were in place during the financial year ended 31 December 2017.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 25 April 2018.

OTHER INFORMATION

1) Audit and Non-Audit Fees

During the financial year, the audit fees paid or payable to the external auditors by the Group and LIB were RM120,000 and RM36,000 respectively.

The non-audit fees paid or payable by the Group and LIB to the external auditors and a company affiliated to the auditors were RM32,350 and RM9,000 respectively. The non-audit fees are in relation to review of Statement on Risk Management and Internal Control and taxation services.

2) Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature for the year ended 31 December 2017

Details of transactions with Related Party undertaken by the Group during the financial year are disclosed in Note 29 to the Financial Statements.

3) Employees' Share Option Scheme (ESOS)

Details of ESOS are disclosed in Note 32 to the Financial Statements. The ESOS has expired on 14 June 2017.

4) Utilisation of Proceeds

The Company had on 17 April 2017 and 5 May 2017 issued 76,000,000 and 98,385,500 new ordinary shares respectively through private placement exercise. The placement shares were issued at an issue price of RM0.105 and RM0.1105 per share respectively and total proceeds of RM7,980,000.00 and RM10,871,597.75 respectively were received from the said placement.

Subsequently, the Board of Directors of the Company has on 25 April 2018 resolved to extend the timeframe for the utilisation of the remaining unutilized proceeds allocated to property development expenditure.

Below is the status of utilisation of proceeds as at 31 March 2018.

Details of Utilisation	Proposed utilisation as disclosed in the announcement dated 22 March 2017 RM'000	Actual utilisation as at 31 March 2018 RM'000	Balance unutilised as at 31 March 2018 RM'000	Initial Timeframe for utilisation of Private Placement Proceeds ("Initial Timeframe")	Extension of timeframe for utilisation of Private Placement Proceeds from the Initial Timeframe
Property development expenditure	10,000	6,353	3,647	Within 12 months	Within 21 months
Working capital	8,662	8,728*	-	Within 12 months	-
Expenses for the corporate exercise	190	124*	-	Within 2 weeks	-
Total	18,852	15,205	3,647		

*Note: Surplus from the expenses for the corporate exercise is adjusted accordingly to working capital

5) Material Contracts involving Directors, Chief Executive or Major Shareholders' Interest

There were no material contracts entered into by the Company and its subsidiaries involving Directors', chief executive who is not a director or major shareholders' interests either still subsisting at the end of the financial year or extend into since the end of the previous financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (the Board) is pleased to provide the following Statement of Risk Management and Internal Control (Statement), which is made pursuant to the Main Market Listing Requirements and the Malaysian Code on Corporate Governance 2017 with regards to the nature and scope of risk management and internal control of the Group during the financial year.

Responsibility

The Board affirms that it is ultimately responsible in ensuring adequacy and integrity of the Group's systems of internal control, which includes the establishment of an appropriate control environment and reporting framework. Since there are limitations, which are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve the Group's corporate objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control encompasses financial, organizational, operational and compliance controls and risk management.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process is reviewed by the Board and accords with the guidelines promulgated by the "Statement on Risk Management and Internal Control – A Guidance for Directors of Public Listed Companies" (the Internal Control Guidance), a publication of the industry task force on internal control.

Risk Management

The Risk Management Committee (RMC) was formed and the RMC is in the midst of finalising the risk management framework. The RMC meets from time to time to identify and manage risks to a manageable level. The risks are being continually monitored and appropriate actions taken to address any change in existing risks or new risks identified as part of an on-going proactive control measure.

The objectives of the risk management framework are:

- To systemise a continuous process for identifying, evaluating and managing the significant risks faced by the Group,
- To provide a platform for communication, of risk and control profiles and the management action plans to manage the risks, between Senior Management and the Board,
- To nominate key management personnel to prepare action plans, with implementation time-scales to address any risk and control issues,
- To inculcate an organisation-wide culture of risk awareness and management and embed internal controls and risk management further into the operations of the Group's business, and
- To establish a documented process of control monitoring and improvement plans.

The Board recognised that risk management can become a strategic competitive advantage if it is used to identify specific actions that enhance performance and optimise risk. It can also influence business strategy by identifying potential adjustments related to previously unidentified opportunities and risks. As much as risks give rise to the need for controls, we consciously look out for opportunities for improvement arising from risks and uncertainties. Risk management has been adopted also as a strategic tool in strategy formulation, investment and resource allocation.

Internal Audit Function

The Group outsources its internal audit function to an independent professional firm to assist the Audit Committee in discharging its duties and responsibilities. The internal audit function continues to independently monitor the compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings and corrective measures in respect of any non-compliance. The internal audit function reviews the controls in the key activities of the Group's business based on the annual internal audit plan and report audit findings to the Audit Committee for review on a quarterly basis. The management is responsible for ensuring that corrective actions on reported weaknesses are addressed within a specific time frame.

In addition, the internal audit function also reviews the recurrent related party transactions (RRPT) on a quarterly basis to ensure that such transactions are made on normal commercial terms that are not more favourable to the related parties than those generally available to the public and not detrimental to the Group or minority shareholders. The RRPT was reported to the Audit Committee during the quarterly meetings.

Other Risks and Control Processes

The Group has also in place an organizational structure with defined line of responsibility and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and are relevant across the Group's operations and provide for continuous assurance to be given at increasingly higher levels of management, and finally to the Board. The process is now facilitated by internal audit, which also provides a degree of assurance as to validity of the systems of internal control. Planned corrective actions are independently monitored for timely completion.

The Deputy Managing Director reports to the Board on significant changes in the business and the external environment, if any. The Group Financial Controller provides the Board with quarterly financial information. This includes, among others, the monitoring of results against budget, with variances being followed up and management action taken, where necessary. Where areas of improvement in the system are identified, the Board considers the recommendation made by the Audit Committee and the Management.

Review of this Statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the 2017 Annual Report. This Statement is reviewed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

Conclusion

The Board has received assurance from the Group Chief Financial Officer on the adequacy and effectiveness of the Group's Risk Management and Internal Control system. There has been no material loss incurred during the year as a result of weaknesses in internal control.

This statement on internal control is made in accordance with a resolution of the Board of Directors dated 25 April 2018.

AUDIT COMMITTEE REPORT

Objective

The principal objective of the Audit Committee (AC) is to assist the Board of Directors in discharging its duties and responsibilities in the area of corporate governance and internal audit with particular reference to the public accountability of the Company and its subsidiaries.

Membership

The present member of the Audit Committee consist of :-

Chairman	:	*Ahmad Kamal Bin S. Awab, Independent Non-Executive Director #* *Lau Theng Chim, Independent Non-Executive Director ^*
Member	:	Mohamed Shukri bin Mohamed Zain, *Independent Non-Executive Director* YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir, *Independent Non-Executive Chairman*

^ Retired on 23 May 2017
 # Appointed on 21 July 2017

Meetings

During the financial year ended 31 December 2017, four (4) Audit Committee meetings were held and the table of attendance of each committee member is as follows:-

Name of Members	No. of Meetings Attended/Held During Directors' Tenure in Office
Ahmad Kamal Bin S. Awab (Chairman) #	2/2
Mohamed Shukri Bin Mohamed Zain	4/4
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir	3/4
Lau Theng Chim (Chairman) ^	1/1

^ Retired on 23 May 2017
 # Appointed on 21 July 2017

The meeting was appropriately structured in accordance to the agenda of the meeting, which was distributed to all members with sufficient notification. The representatives of the external auditors, internal auditors and the Group Financial Controller attended the meeting upon invitation.

Summary of Work of Audit Committee

The Committee carried out its duties in accordance with its terms of reference, with the following summary of work for the financial year under review in discharging its functions and duties:

1. Financial Reporting

- Reviewed the quarterly unaudited financial results and recommended to the Board for approval and for announcement to Bursa Securities and submission to Securities Commission.

- Reviewed the annual audited financial statements with external auditors to ensure compliance with the provisions of the Companies Act 2016, Listing Requirements of Bursa Securities, applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and other legal and regulatory requirements prior to the submission to the Board for approval.

2. External Auditors

- Reviewed the external auditors' reports for the financial year in relation to audit and accounting issues arising from the audit and the management's response.

- Considered the audit fee payable and the nomination of the external auditors for recommendation to the Board for re-appointment.

Summary of Work of Audit Committee (Cont'd)

2. External Auditors (Cont'd)

- Reviewed the external auditors' audit plan and scope of audit for the financial year ended 31 December 2017.
- Met with the external auditors twice during the financial year in February 2017 and November 2017 without the presence of any executive Board members.
- Reviewed and discussed with external auditors on their audit plan and scope of audit work for the year as well as the audit procedures to be performed.

3. Internal Auditors

- Reviewed Internal Audit Plan for 2017 of the Company, the scope and focus of the internal audit programmes.
- Reviewed internal audit reports of the Company and its operating subsidiaries prepared by the internal auditor, the audit recommendations made and management's response to the recommendations. During the financial year, the areas audited are procurement and payment system, information system management, production control management and inventory control management in one of the key business units.

4. Recurrent Related Party Transaction (RRPT)

- Reviewed on quarterly basis, the RRPT entered into by the Group.
- Reviewed of the circular to shareholders on the renewal of shareholders' mandate for RRPT.

Internal Audit Function

The internal audit function is outsourced to an external consulting firm which is independent of the activities or operations it audits. The principal role of the internal audit is to undertake regular and systematic reviews of the systems of internal control in order to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is ultimately the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal controls of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year, the Internal Auditors conducted the internal control reviews on the operating functions and procedures and recommended action plans for improvement by management. The final audit reports containing audit findings and recommendations together with management's responses thereto were circulated to all members of the Audit Committee. Areas of improvement identified were communicated to the management for further action. All internal audit reports were reviewed by the Audit Committee and discussed at Audit Committee Meetings. Follow-up reviews would subsequently be performed to ascertain the extent of implementation of the recommended corrective action for improvements.

The total costs incurred for the internal audit function for the Group for the financial year amounted to RM33,650.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 29 and 30 of this Annual Report.

Statement on Employees' Share Option Scheme (ESOS)

The Audit Committee had reviewed and verified the allocation of share options according with the criteria set out in the ESOS By-Laws.

The Company's ESOS was approved at an Extraordinary General Meeting (EGM) held on 22 February 2012. During the financial year, no offer was made to employees. The ESOS has since expired during the financial year on 14 June 2017. The details of the ESOS are as below:

Grant date	Exercise Price RM/share	Outstanding as at 01.01.2017 ('000)	Exercised ('000)	Expired ('000)	Outstanding as at 31.12.2017 ('000)
15.06.2012	0.100	60,291	(57,731)	(2,560)	-
29.08.2014	0.105	9,950	(7,275)	(2,675)	-

Included in the above, a total of 34,000,000 options were granted to the Directors at the exercise price of RM0.10, out of which 21,000,000 options were exercised during the financial year ended 31 December 2017. The options had expired on 14 June 2017.

Out of 34,000,000 options granted to the Directors, the options granted to Non-Executive Directors are as below:

Name of Director	Granted ('000)	Exercised ('000)
YAM Tunku Datin Annie Dakhlah bte Almarhum Tuanku Munawir (Independent Non-Executive Chairman)	4,000	4,000
Mohamed Shukri bin Mohamed Zain (Independent Non-Executive Director)	3,000	3,000
Lau Theng Chim (Independent Non-Executive Director) ^	3,000	3,000

^ *Retired on 23 May 2017*

Granted to Directors & Senior Management	During the financial year ended 31 December 2017	Since commencement of the ESOS on 15 June 2012
Aggregate Maximum Allocation	-	60.0%
Actual Allocation	-	46.3%

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2017**.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are shown in Note 5 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Profit/(Loss) after tax for the financial year	5,090,983	(414,688)
Attributable to:		
Owners of the Company	4,935,371	(414,688)
Non-controlling interests	155,612	-
	5,090,983	(414,688)

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividends have been declared or paid by the Company since the end of the previous financial year.

The directors do not recommend any dividend payment for the financial year.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company had increased its issued and paid up ordinary share capital from RM173,190,891 to RM201,529,450 by way of the following:

(i) Private Placements
- Allotment of 76,000,000 new ordinary shares at an issue price of RM0.105 per share for a total cash consideration of RM7,980,000.
- Allotment of 98,385,500 new ordinary shares at an issue price of RM0.1105 per share for a total cash consideration of RM10,871,598.

The total gross proceeds of RM18,851,598 raised from the private placements were utilised as working capital and to fund the property development expenditure of the Group including to defray the related expenses incurred for the private placements.

(ii) Issuance of 4,734,600 ordinary shares pursuant to the conversion of 4,734,600 5-year 0% Irredeemable Convertible Unsecured Loan Stocks of RM0.10 nominal value each ("ICULS") by surrendering one unit of ICULS for one new ordinary share.

(iii) Issuance of 65,006,000 new ordinary shares pursuant to the exercise of the Company's share options at a weighted average exercise price of RM0.10 per ordinary share for a total cash consideration of RM6,536,975. Upon the exercise of the share options, the related share options reserve of RM1,525,340 was transferred to the Company's share capital.

(iv) Transfer of share premium pursuant to Section 618(2) of the Companies Act 2016 amounting to RM951,186 to become part of the Company's share capital.

SHARE CAPITAL AND DEBENTURE (Cont'd)

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Other than the foregoing, the Company did not issue any other share and debenture and did not grant any option to anyone to take up unissued shares of the Company.

ICULS AND WARRANTS

The salient features of the ICULS and Warrants are set out respectively in Note 17 and Note 18.2 to the financial statements.

Details of Warrants issued to directors are disclosed in the section on directors' interests in this report.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 22 February 2012. The ESOS was implemented on 15 June 2012 and is to be in force for a period of five years from the date of implementation.

The salient features of the ESOS are set out in Note 32 to the financial statements.

There were no options granted during the financial year and the ESOS has since expired during the financial year on 14 June 2017.

The details of options over unissued ordinary shares granted to eligible employees and directors of the Group during the financial year are as follows:

		Number of options over ordinary shares			
Grant date	Exercise price	Balance at 1.1.17	Exercised	Expired	Balance at 31.12.17
15.6.12	0.10	60,291,000	(57,731,000)	(2,560,000)	-
29.8.14	0.105	9,950,000	(7,275,000)	(2,675,000)	-

Details of options granted to directors are disclosed in the section on directors' interests in this report.

DIRECTORS

The directors who served since the date of the last report are as follows:

Directors of the Company:

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir
Liang Wooi Gee
Wee Song He, Wilson
Mohamed Shukri Bin Mohamed Zain
Phuah Cheng Peng (appointed on 21.7.2017)
Ahmad Kamal Bin S. Awab (appointed on 21.7.2017)
Lim See Chea (retired on 23.5.2017)
Lau Theng Chim (retired on 23.5.2017)

Directors of the subsidiaries:

Chiang Chong Kooi
Hoh Kwai Lan
Lim See Chea
Lim See Hua
Lim See Meng
Mariyappan Sivakumar
Ng Sock Ee
Saffie Bin Bakar
Tan Kim Cheang
Zaibidi Bin Mahamod

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares, warrants and options in the Company during the financial year are as follows:

	Number of ordinary shares			
	Balance at 1.1.17	**Bought**	**Sold**	**Balance at 31.12.17**
The Company				
Direct Interest:				
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir	-	4,000,000	(1,435,000)	2,565,000
Liang Wooi Gee	22,022,857	5,000,000	(3,000,000)	24,022,857
Phuah Cheng Peng	86,364,500 [1]	38,500,000	-	124,864,500
Wee Song He, Wilson	142,051,220	2,000,000	(10,625,000)	133,426,220
Mohamed Shukri Bin Mohamed Zain	-	3,000,000	(2,900,000)	100,000
[2] **Deemed Interest:**				
Phuah Cheng Peng	1,500,000 [1]			1,500,000
[3] **Other Interest:**				
Liang Wooi Gee	400	-	-	400

	Number of Warrants A			
	Balance at 1.1.17	**Bought**	**Sold**	**Balance at 31.12.17**
The Company				
Liang Wooi Gee	5,714	-	-	5,714
Phuah Cheng Peng	1,500,000 [1]	-	-	1,500,000

	Number of options over ordinary shares			
	Balance at 1.1.17	**Exercised**	**Expired**	**Balance at 31.12.17**
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir	4,000,000	(4,000,000)	-	-
Liang Wooi Gee	4,000,000	(4,000,000)	-	-
Wee Song He, Wilson	2,000,000	(2,000,000)	-	-
Mohamed Shukri Bin Mohamed Zain	3,000,000	(3,000,000)	-	-

Note:

[1] At date of appointment.
[2] Indirect interest pursuant to Section 8 of the Companies Act 2016.
[3] Indirect interest pursuant to Section 59(11)(c) of the Companies Act 2016.

Encik Ahmad Kamal Bin S. Awab does not have any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 24 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and by the Company is RM259,693.

OTHER STATUTORY INFORMATION

Before the financial statements 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 value 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.

At the date of this report, the directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, and

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of directors:

(i) no contingent liability 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 and of the Company to meet their obligations as and when they fall due,

(ii) the results of 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, and

OTHER STATUTORY INFORMATION (Cont'd)

In the opinion of directors (Cont'd):

(iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

Details of significant events during and after the financial year are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company are set out in Note 24 to the financial statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

Signed in accordance with a resolution of the directors:

....
Phuah Cheng Peng

....
Liang Wooi Gee

Penang,

Date: 24 April 2018

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 46 to 105 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2017** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the directors:

....	....
Phuah Cheng Peng	**Liang Wooi Gee**

Date: 24 April 2018

STATUTORY DECLARATION

I, **Liang Wooi Gee**, the director primarily responsible for the financial management of **Luster Industries Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 46 to 105 are to the best of my knowledge and belief, 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 at Penang, this 24th)
day of April 2018)

....
Liang Wooi Gee
(I/C No. 720115-07-5535)

Before me,

....
Goh Suan Bee (P125)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUSTER INDUSTRIES BHD.
Company No. 156148-P (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Luster Industries Bhd.**, which comprise the statements of financial position as at **31 December 2017** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 105.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2017**, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 11.2 and Note 33.1 to the financial statements. In the previous financial year, the Company paid refundable earnest deposits amounting to RM6,000,000 to a legal firm acting as stakeholder for Citi-Champ International Ltd. ("Citi Champ") following the Company's intention to invest in a 10% equity interest in SS Ventures Ltd. ("SS Ventures"). The Company then decided to withdraw its interest in acquiring SS Ventures and demanded for a full refund of RM6,000,000 which Citi-Champ refused.

The Company had through its solicitors initiated legal action against Citi-Champ and the other four Defendants ("2nd to 5th Defendants") to recover the stakeholder sum as further disclosed in Note 33.1 to the financial statements. Following that, the Court of Appeal has granted the Company a mareva injunction against the 2nd to 5th Defendants and the High Court had fixed the case management on 28 April 2018 and trial dates on 30 May to 4 June 2018.

The directors of the Company are confident that the stakeholder sum will be recovered as this relates to the refundable earnest deposits and the Company is entitled to the refund of RM6,000,000 upon withdrawal of its interest in acquiring SS Ventures. However, we wish to highlight that the recoverability of such a significant amount would depend on the outcome of the trials.

Key Audit Matters

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

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment *(Note 6 to the financial statements)*	
As at 31 December 2017, the Group has goodwill amounting to RM8.59 million which has been allocated to its manufacturing segment as the cash generating unit (CGU). The management is required to perform annual impairment assessment for its goodwill. We focus on this area as management's assessment of the 'value in use' of the CGU involves estimation uncertainty and judgements about the future results of the business and key assumptions applied to future cash flows projection.	Our audit procedures in relation to the goodwill impairment assessment included: • Evaluating the model used in determining the value in use of the CGU as well as assessing the discount rate used. • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry. • Comparing actual performance of the CGU to assumptions applied in prior years' model and to assess accuracy of management's estimates. • Performing sensitivity analysis on the key assumptions inputed to the model and understand the impact on the overall carrying value of goodwill with the alterations to the key assumptions. • Assessing the adequacy of disclosures in the financial statements.
Valuation of inventories *(Note 9 to the financial statements)*	
The Group holds significant inventories as at 31 December 2017 which exposed the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or selling below their carrying value. The Group measures inventories at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value requires judgement by the Group. We focused on this area as judgements made by the Group are affected by external and market considerations which are inherently uncertain.	Our audit procedures in relation to the valuation of inventories included: • Obtaining an understanding of: – the Group's inventory management process; – how the Group identifies and assesses inventory write-downs; and – how the Group makes the accounting estimates for inventory write-downs. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the consistency of the application of management's methodology in determining and assessing the provision from year to year. • Testing the net realisable values for work-in-progress and finished goods on a sampling basis to sales made subsequent to the year end and checked that they are sold at higher than the carrying amount.
Impairment of receivables *(Note 10 and 11 to the financial statements).*	
The Group and the Company have significant receivables as at 31 December 2017. We focus on this area as the assessment of recoverability of receivables involved management judgements and estimation uncertainty in determining the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.	Our audit procedures in relation to management's impairment assessment included: • Obtaining an understanding of: – the Group's control over the customers' collection process; – how the Group and Company identify and assesses the impairment of receivables; and – how the Group and the Company make the accounting estimates for impairment. • Reviewing the consistency of the application of the management's methodology for calculating the impairment from year to year. • Reviewing the aging analysis of trade receivables and testing the reliability thereof. • Reviewing subsequent collections for major receivables and overdue amounts. • Reviewing the validity of other receivables, deposits and prepayments that are material. • Making inquiries of management regarding the action plans to recover overdue amounts. • Evaluating the adequacy of the impairment estimated and recognised in the financial statements.

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for construction contracts *(Note 23 to the financial statements)*	
During the financial year, the Group recognises revenue from its construction activity based on the percentage of completion ("POC") method totalling RM25 million. The POC of its construction project was measured by reference to the stage of completion of the contract activity at the end of the reporting period. Significant management judgement is required in estimating the physical proportion of the contract work completed on the contracts and the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms and claims.	Our audit procedures in relation to the recognition of construction revenue include: • Evaluating the effectiveness of management's controls over the estimation of total costs and assessing the reasonableness of key inputs in the cost estimation. • Inspecting documentation to support cost estimates made. • Testing the appropriateness of estimated costs by comparing these against actual costs incurred. • Recomputing the revenue and costs recognised for the current financial year based on the POC and traced these to the accounting records. • Considering the adequacy of the Group's disclosures in respect of revenue from construction contracts.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Directors' Responsibilities for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

INDEPENDENT AUDITORS' REPORT (Cont'd)

TO THE MEMBERS OF LUSTER INDUSTRIES BHD.
Company No. 156148-P (Incorporated in Malaysia)

Other Matters

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

Grant Thornton
No. AF: 0042
Chartered Accountants

John Lau Tiang Hua
No. 01107/03/2020 J
Chartered Accountant

Date: 24 April 2018

Penang

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**58,428,978**	60,609,306	**4,234,863**	4,182,213
Investment in subsidiaries	**5**	**-**	-	**112,701,092**	111,951,092
Goodwill on consolidation	**6**	**8,591,870**	8,591,870	**-**	-
		67,020,848	69,201,176	**116,935,955**	116,133,305
Current assets					
Gross amount due from a customer on contract	**7**	**62,867**	-	**-**	-
Property development costs	**8**	**11,606,691**	9,895,188	**-**	-
Inventories	**9**	**12,852,092**	12,549,524	**-**	-
Trade receivables	**10**	**41,867,755**	25,041,821	**-**	-
Other receivables, deposits and prepayments	**11**	**34,104,515**	12,634,496	**6,423,624**	6,588,584
Amount due from subsidiaries	**12**	**-**	-	**31,247,244**	4,784,882
Current tax assets		**1,398,366**	1,257,137	**705,005**	258,248
Fixed deposits with licensed banks	**13**	**1,389,377**	4,280,517	**-**	33,882
Cash and bank balances	**14**	**17,828,227**	16,768,855	**137,688**	1,697,639
		121,109,890	82,427,538	**38,513,561**	13,363,235
Non-current assets held for sale	**15**	**-**	1,810,265	**-**	1,810,265
		121,109,890	84,237,803	**38,513,561**	15,173,500
TOTAL ASSETS		**188,130,738**	153,438,979	**155,449,516**	131,306,805
EQUITY AND LIABILITIES					
Share capital	**16**	**201,529,450**	173,190,891	**201,529,450**	173,190,891
Irredeemable convertible unsecured loan stocks	**17**	**-**	473,460	**-**	473,460
Other reserves	**18**	**(46,519,286)**	(48,837,368)	**(57,583,672)**	(54,692,458)
		155,010,164	124,826,983	**143,945,778**	118,971,893
Non-controlling interests		**932,233**	868,607	**-**	-
Total equity		**155,942,397**	125,695,590	**143,945,778**	118,971,893
Non-current liabilities					
Borrowings	**19**	**1,378,811**	1,672,294	**-**	-
Deferred tax liabilities	**20**	**1,183,000**	1,367,000	**-**	-
		2,561,811	3,039,294	**-**	-
Current liabilities					
Trade payables	**21**	**21,953,643**	13,641,762	**-**	-
Other payables and accruals	**22**	**6,679,359**	7,758,995	**120,438**	663,976
Amount due to subsidiaries	**12**	**-**	-	**11,383,300**	11,670,936
Borrowings	**19**	**774,466**	2,945,947	**-**	-
Current tax liabilities		**219,062**	357,391	**-**	-
		29,626,530	24,704,095	**11,503,738**	12,334,912
Total liabilities		**32,188,341**	27,743,389	**11,503,738**	12,334,912
TOTAL EQUITY AND LIABILITIES		**188,130,738**	153,438,979	**155,449,516**	131,306,805

The notes set out on pages 54 to 105 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Revenue	23	**141,156,037**	113,680,619	**660,000**	2,820,000
Cost of sales		**(118,579,444)**	(100,834,452)	**-**	-
Gross profit		**22,576,593**	12,846,167	**660,000**	2,820,000
Other income		**945,597**	3,015,248	**351,311**	159,244
Administrative expenses		**(15,559,356)**	(38,651,452)	**(1,424,844)**	(20,523,858)
Selling and distribution expenses		**(880,408)**	(1,271,989)	**-**	-
Operating profit/(loss)		**7,082,426**	(24,062,026)	**(413,533)**	(17,544,614)
Finance costs		**(196,763)**	(211,154)	**-**	-
Profit/(Loss) before tax	24	**6,885,663**	(24,273,180)	**(413,533)**	(17,544,614)
Tax (expense)/income	25	**(1,794,680)**	(1,221,507)	**(1,155)**	114,928
Profit/(Loss) for the financial year		**5,090,983**	(25,494,687)	**(414,688)**	(17,429,686)
Total other comprehensive (loss)/ income, net of tax:					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operation		**(234,605)**	18,019	**-**	-
Total comprehensive income/(loss) for the financial year		**4,856,378**	(25,476,668)	**(414,688)**	(17,429,686)
Profit/(Loss) attributable to:					
Owners of the Company		**4,935,371**	(24,709,895)	**(414,688)**	(17,429,686)
Non-controlling interests		**155,612**	(784,792)	**-**	-
		5,090,983	(25,494,687)	**(414,688)**	(17,429,686)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**4,794,608**	(24,699,084)	**(414,688)**	(17,429,686)
Non-controlling interests		**61,770**	(777,584)	**-**	-
		4,856,378	(25,476,668)	**(414,688)**	(17,429,686)
Earnings/(Loss) per share attributable to owners of the Company (sen)	26				
- Basic		**0.26**	(1.43)		
- Diluted		**0.25**	(1.43)		

The notes set out on pages 54 to 105 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to Owners of the Company											
		Non-distributable										
	Share Capital RM	ICULS RM	Share Premium RM	Foreign Currency Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	Capital Reserve RM	Accumulated Losses RM	Total RM	Non-controlling Interests RM	Total Equity RM
2017												
Balance at beginning	173,190,891	473,460	951,186	862,584	22,618,076	(22,618,076)	1,589,667	8,419,642	(60,660,447)	124,826,983	868,607	125,695,590
Foreign currency translation differences for foreign operations	-	-	-	(140,763)	-	-	-	-	-	(140,763)	(93,842)	(234,605)
Profit for the financial year	-	-	-	-	-	-	-	-	4,935,371	4,935,371	155,612	5,090,983
Total comprehensive income for the financial year	-	-	-	(140,763)	-	-	-	-	4,935,371	4,794,608	61,770	4,856,378
Transactions with owners of the Company:												
Issuance of shares pursuant to:												
- Conversion of ICULS	473,460	(473,460)	-	-	-	-	-	-	-	-	-	-
- Private placements	18,851,598	-	-	-	-	-	-	-	-	18,851,598	-	18,851,598
- Exercise of ESOS	8,062,315	-	-	-	-	-	(1,525,340)	-	-	6,536,975	-	6,536,975
- Expiry of ESOS	-	-	-	-	-	-	(64,327)	-	64,327	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,856	1,856
Total transactions with owners	27,387,373	(473,460)	-	-	-	-	(1,589,667)	-	64,327	25,388,573	1,856	25,390,429
Transfer of share premium pursuant to no-par value regime of the Companies Act 2016	951,186	-	(951,186)	-	-	-	-	-	-	-	-	-
Balance at end	201,529,450	-	-	721,821	22,618,076	(22,618,076)	-	8,419,642	(55,660,749)	155,010,164	932,233	155,942,397

The notes set out on pages 54 to 105 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to Owners of the Company											
		Non-distributable										
	Share Capital RM	ICULS RM	Share Premium RM	Foreign Currency Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	Capital Reserve RM	Accumulated Losses RM	Total RM	Non-controlling Interests RM	Total Equity RM
2016												
Balance at beginning	173,190,891	473,460	951,186	851,773	22,618,076	(22,618,076)	1,760,534	8,419,642	(36,121,419)	149,526,067	1,646,191	151,172,258
Foreign currency translation differences for foreign operations	-	-	-	10,811	-	-	-	-	-	10,811	7,208	18,019
Loss for the financial year	-	-	-	-	-	-	-	-	(24,709,895)	(24,709,895)	(784,792)	(25,494,687)
Total comprehensive loss for the financial year	-	-	-	10,811	-	-	-	-	(24,709,895)	(24,699,084)	(777,584)	(25,476,668)
Transactions with owners of the Company:												
ESOS lapsed due to resignation	-	-	-	-	-	-	(170,867)	-	170,867	-	-	-
Balance at end	173,190,891	473,460	951,186	862,584	22,618,076	(22,618,076)	1,589,667	8,419,642	(60,660,447)	124,826,983	868,607	125,695,590

The notes set out on pages 54 to 105 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to Owners of the Company							
		Non-distributable						
	Share Capital RM	ICULS RM	Share Premium RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	Accumulated Losses RM	Total Equity RM
2017								
Balance at beginning	**173,190,891**	**473,460**	**951,186**	**22,618,076**	**(22,618,076)**	**1,589,667**	**(57,233,311)**	**118,971,893**
Net loss, representing total comprehensive loss for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**(414,688)**	**(414,688)**
Transactions with owners of the Company:								
Issuance of shares pursuant to:								
- Conversion of ICULS	**473,460**	**(473,460)**	**-**	**-**	**-**	**-**	**-**	**-**
- Private placements	**18,851,598**	**-**	**-**	**-**	**-**	**-**	**-**	**18,851,598**
- Exercise of ESOS	**8,062,315**	**-**	**-**	**-**	**-**	**(1,525,340)**	**-**	**6,536,975**
- Expiry of ESOS	**-**	**-**	**-**	**-**	**-**	**(64,327)**	**64,327**	**-**
Total transactions with owners	**27,387,373**	**(473,460)**	**-**	**-**	**-**	**(1,589,667)**	**64,327**	**25,388,573**
Transfer of share premium pursuant to no-par value regime of the Companies Act 2016	**951,186**	**-**	**(951,186)**	**-**	**-**	**-**	**-**	**-**
Balance at end	**201,529,450**	**-**	**-**	**22,618,076**	**(22,618,076)**	**-**	**(57,583,672)**	**143,945,778**
2016								
Balance at beginning	173,190,891	473,460	951,186	22,618,076	(22,618,076)	1,760,534	(39,974,492)	136,401,579
Net loss, representing total comprehensive loss for the financial year	-	-	-	-	-	-	(17,429,686)	(17,429,686)
Transactions with owners of the Company:								
ESOS lapsed due to resignation	-	-	-	-	-	(170,867)	170,867	-
Balance at end	173,190,891	473,460	951,186	22,618,076	(22,618,076)	1,589,667	(57,233,311)	118,971,893

The notes set out on pages 54 to 105 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	**6,885,663**	(24,273,180)	**(413,533)**	(17,544,614)
Adjustments for:				
Bad debts	**-**	3,112	**12,783**	2,974
Depreciation	**5,041,277**	5,045,641	**118,179**	115,872
Gain on disposal of property, plant and equipment	**(36,197)**	(39,697)	**(2,099)**	-
Gain on disposal of non-current assets held for sale	**(301,056)**	(791,989)	**(301,056)**	(119,522)
Impairment loss on goodwill on consolidation	**-**	16,658,918	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	17,171,699
Impairment loss on property, plant and equipment	**-**	1,479,857	**-**	-
Impairment loss on deposits and prepayments	**-**	4,155,935	**-**	-
Interest expense	**196,763**	211,154	**-**	-
Interest income	**(509,827)**	(469,810)	**(47,123)**	(5,292)
Loss on disposal of a subsidiary	**755**	-	**-**	-
Property, plant and equipment written off	**7,207**	276,221	**-**	151
Unrealised loss/(gain) on foreign exchange	**270,201**	(246,779)	**28,700**	(34,430)
Waiver of debts	**-**	(26,289)	**-**	-
Operating profit/(loss) before working capital changes	**11,554,786**	1,983,094	**(604,149)**	(413,162)
Increase in gross amount due from a customer on contract	**(62,867)**	-	**-**	-
Increase in property development costs	**(1,711,503)**	(9,895,188)	**-**	-
(Increase)/Decrease in inventories	**(302,568)**	1,169,317	**-**	-
(Increase)/Decrease in receivables	**(38,829,492)**	(2,475,092)	**164,960**	(6,310,880)
Increase/(Decrease) in payables	**7,386,092**	3,301,405	**(543,538)**	(224,200)
Cash used in operations	**(21,965,552)**	(5,916,464)	**(982,727)**	(6,948,242)
Income tax paid	**(2,404,081)**	(2,388,155)	**(447,912)**	(730,324)
Income tax refunded	**145,843**	140,764	**-**	-
Interest paid	**(196,763)**	(208,261)	**-**	-
Net cash used in operating activities	**(24,420,553)**	(8,372,116)	**(1,430,639)**	(7,678,566)

The notes set out on pages 54 to 105 form an integral part of these financial statements.

		GROUP		COMPANY	
		2017	2016	**2017**	2016
		RM	RM	**RM**	RM
	Net cash used in operating activities	**(24,420,553)**	(8,372,116)	**(1,430,639)**	(7,678,566)
	CASH FLOWS FROM INVESTING ACTIVITIES				
(i)	Cash flows from disposal of a subsidiary	**1**	-	**-**	-
	Interest received	**501,773**	380,236	**47,123**	5,292
	Investment in a subsidiary	**-**	-	**(750,000)**	-
	Proceeds from disposal of non-current assets held for sale	**2,311,321**	6,000,000	**2,311,321**	4,000,000
	Proceeds from disposal of property, plant and equipment	**36,430**	82,849	**2,100**	-
	Withdrawal of fixed deposits	**2,893,998**	-	**-**	-
	Subsequent costs incurred for non-current assets held for sale	**(200,000)**	(161,679)	**(200,000)**	(161,679)
(ii)	Purchase of property, plant and equipment	**(2,380,622)**	(1,810,430)	**(170,830)**	-
	Net cash from investing activities	**3,162,901**	4,490,976	**1,239,714**	3,843,613
	CASH FLOWS FROM FINANCING ACTIVITIES				
	Drawdown of bankers' acceptance	**(2,000,000)**	-	**-**	-
	Drawdown of finance lease	**302,914**	-	**-**	-
	Net change in subsidiaries' balances	**-**	-	**(26,791,481)**	5,308,434
	Payment of finance lease	**(1,274,048)**	(1,234,491)	**-**	-
	Proceeds from private placements	**18,851,598**	-	**18,851,598**	-
	Proceeds from exercise of ESOS	**6,536,975**	-	**6,536,975**	-
	Repayment of term loan	**-**	(39,149)	**-**	-
	Net cash from/(used in) financing activities	**22,417,439**	(1,273,640)	**(1,402,908)**	5,308,434
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,159,787**	(5,154,780)	**(1,593,833)**	1,473,481
	Effects of foreign exchange rates changes	**(105,611)**	213,308	**-**	-
	CASH AND CASH EQUIVALENTSAT BEGINNING	**16,920,443**	21,861,915	**1,731,521**	258,040
	CASH AND CASH EQUIVALENTS AT END	**17,974,619**	16,920,443	**137,688**	1,731,521
	Represented by:				
	Fixed deposits with licensed banks	**146,392**	151,588	**-**	33,882
	Cash and bank balances	**17,828,227**	16,768,855	**137,688**	1,697,639
		17,974,619	16,920,443	**137,688**	1,731,521

The notes set out on pages 54 to 105 form an integral part of these financial statements.

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
(i) **Cash flows from disposal of a subsidiary**				
Payables	**(1,100)**	-	**-**	-
Non-controlling interest	**1,856**	-	**-**	-
Share of net assets disposed	**756**	-	**-**	-
Loss on disposal	**(755)**	-	**-**	-
Cash flows from disposal of a subsidiary	**1**	-	**-**	-
(ii) **Purchase of property, plant and equipment**				
Total acquisition costs	**2,886,792**	3,442,260	**170,830**	-
Acquired under finance lease	**(506,170)**	(1,631,830)	**-**	-
Total cash acquisition	**2,380,622**	1,810,430	**170,830**	-

The notes set out on pages 54 to 105 form an integral part of these financial statements.

1. GENERAL INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at Plot 36 & 37, Jalan PKNK Utama, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah Darul Aman.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2018.

Principal Activities

The principal activities of the Company consist of investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 and by the Company.

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 best economic interest.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency.

2.4 Adoption of Amendments/Improvements to MFRS

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following standards that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2017
Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 2014-2016 Cycle)
Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives
Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

2. **BASIS OF PREPARATION (Cont'd)**

2.4 **Adoption of Amendments/Improvements to MFRS (Cont'd)**

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company except as mentioned below:

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

The Group and the Company have applied these amendments for the first time in the current financial year. The amendments require the Group and the Company to disclose a reconciliation between the opening and closing balances for liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes, which is disclosed in Note 30.8 to the financial statements.

2.5 **Standards Issued But Not Yet Effective**

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC Interpretation ("IC Int") 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019
MFRS 16 Leases
Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Int 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2021
MFRS 17 Insurance Contracts

Effective date yet to be confirmed
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The existing *MFRS 4* and Amendments to *MFRS 4* will be withdrawn upon the adoption of the new *MFRS 17* which will take effect on or after 1 January 2021.

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces *MFRS 139 Financial Instruments: Recognition and Measurement* and all previous versions of *MFRS 9*. *MFRS 9* brings together all three aspects of the accounting for financial instruments project: (i) classification and measurement, (ii) impairment and (iii) hedge accounting. *MFRS 9* is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. However, the directors deem the hedge accounting requirements under this standard to be irrelevant as the Group and the Company do not apply hedge accounting.

2. **BASIS OF PREPARATION (Cont'd)**

2.5 **Standards Issued But Not Yet Effective (Cont'd)**

The Group and the Company plan to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group and the Company have performed a detailed impact assessment of aspects (i) and (ii). This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and to the Company in 2018 when the Group and the Company will adopt *MFRS 9*. Overall, the Group and the Company expect no significant impact on the statements of financial position and equity. The Group and the Company will implement changes in classification of certain financial instruments.

(i) **Classification and measurement**

Financial assets

The Group and the Company assessed that all trade and other receivables, including intragroup balances are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under *MFRS 9*. Therefore, reclassification for these instruments is not required.

Financial liabilities

There will be no impact on the Group's and the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group and the Company do not have such liabilities.

(ii) **Impairment**

MFRS 9 requires the Group and the Company to record Expected Credit Losses ("ECL") on all of its trade and other receivables including intragroup balances, either on a 12-month or lifetime basis. The Group and the Company will apply the simplified approach prescribed by *MFRS 9*, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets. The expected impact from implementation of *MFRS 9* and the determination of ECL will have a relatively insignificant impact on the Group's and the Company's receivables and profit/loss before tax as the current policy on impairment of receivables are considered reasonably consistent with *MFRS 9*.

In summary, the adoption of *MFRS 9* is not expected to have any material impact to the financial statements of the Group and of the Company for the financial year ended 31 December 2017.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue – Barter Transactions Involving Advertising Services.*

The core principle of *MFRS 15* is that an entity should recognise revenue to 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. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

2. **BASIS OF PREPARATION (Cont'd)**

2.5 **Standards Issued But Not Yet Effective (Cont'd)**

The standard identifies three (3) situations where control of the promised goods or services is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Group and the Company have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected:

- The Group's revenue from its manufacturing segment derived mainly from contract manufacturing of precision plastic injection moulded parts and die-casting components is currently recognised when the goods are delivered to the customers and based on the timing when the related risk and rewards of ownership are transferred to the customers. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involved with the goods. The Group assessed that under the new *MFRS 15,* the revenue from contract manufacturing meets the criteria (iii) above and will result in revenue and some associated costs being recognised over time – i.e. before the goods are delivered to the customers. The Group will measure the revenue over time either using the input or output methods, depending which faithfully depicts the Group's performance.

- As for the sales of other general products from its manufacturing segment which do not meet any of the three criteria mentioned above, revenue will be recognised at point in time.

- The Group's revenue from its construction contract is currently recognised using the percentage of completion method. Under *MFRS 15*, performance obligations for construction of properties are satisfied over time when the Group is restricted contractually from directing the properties for another use as they are being constructed and has an enforceable right to payment for performance completed to date, which meets the criteria (iii) above. The Group does not expect any transition adjustments as the recognition for construction contract revenue under *MFRS 15* is consistent with the Group's current practice.

- The Group's revenue from the sale of lottery tickets is currently recognised when control of the service has transferred, being the point when the lottery tickets are sold to the customers. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised for the sale of lottery tickets under *MFRS 15* is consistent with the Group's current practice. The Group does not expect any transition adjustments.

- Presentation of contract assets and contract liabilities in the statement of financial position – *MFRS 15* requires separate presentation of contract assets and contract liabilities in the statement of financial position. This will result in some reclassifications as of 1 January 2018 in relation to contract assets and contract liabilities.

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

2. BASIS OF PREPARATION (Cont'd)

2.5 Standards Issued But Not Yet Effective (Cont'd)

MFRS 16 Leases (Cont'd)

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under *MFRS 117*. Lessors will continue to classify all leases using the same classification principle as in *MFRS 117* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Useful lives of depreciable assets**

Plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 2 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, future depreciation charges could be revised.

(ii) **Impairment of plant and equipment**

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

(iii) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating unit ("CGU") to which the goodwill is allocated. Estimating a value-in-use requires the management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 6.

2. BASIS OF PREPARATION (Cont'd)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.2 Key sources of estimation uncertainty (Cont'd)

(iv) **Inventories**

The management reviews for damaged, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(v) **Impairment of loans and receivables**

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

(vi) **Construction contracts**

The Group recognises construction contract revenue and expenses in the profit or loss using the stage of completion method. The stage of completion is measured by reference to the proportion of the survey of works performed to date bear to the estimated total contract sum.

Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue and costs, as well as recoverability of the construction projects. Total revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below:

3.1 Basis of Consolidation

(i) **Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

(ii) **Business combination**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 Basis of Consolidation (Cont'd)

(ii) Business combination (Cont'd)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing
- equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of position. Any surplus or deficit arising from the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.2 **Property, Plant and Equipment (Cont'd)**

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	Amortise over lease period of 34 - 86 years
Buildings	2%
Plant, machinery and moulds	10% - 50%
Furniture, fittings and office equipment	10% - 20%
Electrical installation	10%
Motor vehicles	20%
Renovation	2% - 10%

Freehold land is not amortised as it has an infinite life.

Depreciation on capital expenditure in progress commences when the assets are ready for their intended use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

3.3 **Leases**

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

Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease.

Minimum lease payments made under finance leases 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 the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

Operating leases

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.4 **Goodwill**

Goodwill acquired through business combination is initially measured at cost, being the excess of the cost of business acquired over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.5 **Property Development Costs**

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Where the outcome of a development can be reliably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that costs incurred to-date bear to the estimated total costs. In applying this method of determining stage of completion, only those costs that reflect actual development work performed are included as costs incurred.

For the Group's current development project, revenue will be recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

Where the outcome of a development cannot be reliably estimated, revenue is recognised to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold shall be recognised as an expense in the period in which they are incurred.

When it is probable that total costs will exceed total revenue, the foreseeable loss is immediately recognised in profit or loss irrespective of whether development work has commenced or not, or of the stage of completion of development activity, or of the amounts of profits expected to arise on other unrelated development projects.

The excess of revenue recognised in profit or loss over the billings to purchasers of properties is recognised as accrued billings under current assets. The excess of billings to purchasers of properties over revenue recognised in profit or loss is recognised as progress billings under current liabilities.

3.6 **Construction Contracts**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contracts costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of the survey of works performed.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billing, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

3.7 **Impairment of Non-Financial Assets**

The carrying amounts of non-financial assets, other than property development costs, inventories and non-current assets held for sale are reviewed at each reporting date to determine whether there is an indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when there are indications of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 Impairment of Non-Financial Assets (Cont'd)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. 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 or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment loss recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (groups of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.8 Financial Instruments

3.8.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

3.8.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

All financial assets are subject to review for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial Instruments (Cont'd)

3.8.2 Financial instrument categories and subsequent measurement (Cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3.8.3 Financial guarantee contracts

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

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.8.4 Offsetting of financial instruments

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

3.8.5 Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

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

3.9 Impairment of Financial Assets

All financial assets (except for investment in subsidiaries) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3.10 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

3.10 **Non-current Assets Held for Sale (Cont'd)**

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

3.11 **Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials and consumables comprises the original cost of purchase plus the cost of bringing the inventories to their present location and condition and is determined on the first-in, first-out basis.

Cost of work-in-progress and finished goods include raw materials, direct labour and attributable production overheads and is determined on the weighted average basis.

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

3.12 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.13 **Provisions**

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3.14 **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.15 **Income Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be reliably measured on the following basis:

(i) **Sale of goods**

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers.

(ii) **Lottery betting**

Revenue from lottery betting is recognised on ticket sales, net of sales tax relating to draw days within the financial year.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 Income Recognition (Cont'd)

(iii) **Construction contract revenue**

Revenue from construction contracts is accounted for by the stage of completion method as described in the accounting policy as set out in Note 3.6.

(iv) **Mould modification income**

Revenue from mould modification is recognised when the significant risks and rewards of ownership have been transferred to the customers.

(v) **Management fee**

Management fee is recognised on an actual basis when services are rendered.

(vi) **Rental income**

Rental income is recognised on a time proportion basis over the lease term.

(vii) **Interest income**

Interest income is recognised on a time proportion basis using the applicable effective interest rate.

3.16 Employee Benefits

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 of the Group. 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, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

Employee share option scheme

Employees of certain subsidiaries of the Group received remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to accumulated losses upon expiry of the share options.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3.17 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.17 Income Tax (Cont'd)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences in respect of the initial recognition of goodwill and/or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

3.18 Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.19 Foreign Currency Translations

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.19 Foreign Currency Translations (Cont'd)

Foreign operations

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation ("FTR") reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the exchange difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FTR in equity.

3.20 Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

ICULS which were issued after the effective date of *MFRS 132 Financial Instruments: Disclosure and Presentation* are regarded as compound instruments, consisting of an equity component and a liability component.

The Company's ICULS which have a 5% coupon rate and are irredeemable are considered to have only the equity component.

3.21 Warrants

Warrants are classified as equity instrument and its value is allocated based on the market prices on their first day of quotation in the stock exchange. The issuance of the ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital and share premium. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

3.22 Share Capital, Share Issuance Expenses and Dividends

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Prior to Companies Act 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.23 Segment Reporting

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

3.24 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.25 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the ultimate holding company or the Group.
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and moulds RM	Furniture, fittings and office equipment RM	Electrical installation RM	Motor vehicles RM	Renovation RM	Capital expenditure in progress RM	Total RM
2017										
At cost										
Balance at beginning	1,704,146	5,098,453	43,173,824	76,695,134	7,183,367	3,058,351	3,187,486	94,205	1,273,556	141,468,522
Additions	-	-	391,626	1,332,917	329,104	29,295	654,992	148,858	-	2,886,792
Disposals	-	-	-	(66,000)	(1,899)	-	(207,956)	-	-	(275,855)
Written off	-	-	-	-	(2,426)	-	-	(8,550)	-	(10,976)
Foreign currency translation	-	-	-	-	(37,216)	-	-	(1,525)	-	(38,741)
Balance at end	1,704,146	5,098,453	43,565,450	77,962,051	7,470,930	3,087,646	3,634,522	232,988	1,273,556	144,029,742
Accumulated depreciation										
Balance at beginning	-	1,044,137	6,678,289	46,543,934	5,514,875	2,130,944	2,805,319	85,616	-	64,803,114
Current charge	-	86,438	806,498	3,251,481	478,957	104,647	306,167	7,089	-	5,041,277
Disposals	-	-	-	(65,998)	(1,671)	-	(207,953)	-	-	(275,622)
Written off	-	-	-	-	(1,784)	-	-	(1,985)	-	(3,769)
Foreign currency translation	-	-	-	-	(20,268)	-	-	(70)	-	(20,338)
Balance at end	-	1,130,575	7,484,787	49,729,417	5,970,109	2,235,591	2,903,533	90,650	-	69,544,662
Accumulated impairment loss										
Balance at beginning/ end	-	-	2,818,435	12,009,158	-	268,953	-	-	959,556	16,056,102
Carrying amount	1,704,146	3,967,878	33,262,228	16,223,476	1,500,821	583,102	730,989	142,338	314,000	58,428,978

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and moulds RM	Furniture, fittings and office equipment RM	Electrical installation RM	Motor vehicles RM	Renovation RM	Capital expenditure in progress RM	Total RM
2016										
At cost										
Balance at beginning	1,704,146	5,098,453	42,831,544	75,507,699	7,003,873	4,007,194	3,817,042	219,301	1,273,556	141,462,808
Additions	-	-	342,280	2,834,302	248,384	11,712	-	5,582	-	3,442,260
Disposals	-	-	-	(1,120,932)	(65,686)	-	(629,156)	-	-	(1,815,774)
Written off	-	-	-	(525,935)	(21,770)	(960,555)	-	(126,525)	-	(1,634,785)
Foreign currency translation	-	-	-	-	18,566	-	(400)	(4,153)	-	14,013
Balance at end	1,704,146	5,098,453	43,173,824	76,695,134	7,183,367	3,058,351	3,187,486	94,205	1,273,556	141,468,522
Accumulated depreciation										
Balance at beginning	-	957,698	5,892,947	44,714,650	5,086,776	2,919,870	3,190,852	114,107	-	62,876,900
Current charge	-	86,439	785,342	3,283,609	499,870	129,282	234,326	26,773	-	5,045,641
Disposals	-	-	-	(1,091,946)	(60,851)	-	(619,825)	-	-	(1,772,622)
Written off	-	-	-	(362,379)	(20,686)	(918,208)	-	(54,234)	-	(1,355,507)
Foreign currency translation	-	-	-	-	9,766	-	(34)	(1,030)	-	8,702
Balance at end	-	1,044,137	6,678,289	46,543,934	5,514,875	2,130,944	2,805,319	85,616	-	64,803,114
Accumulated impairment loss										
Balance at beginning	-	-	2,818,435	10,529,301	-	272,010	-	-	959,556	14,579,302
Current charge	-	-	-	1,479,857	-	-	-	-	-	1,479,857
Written off	-	-	-	-	-	(3,057)	-	-	-	(3,057)
Balance at end	-	-	2,818,435	12,009,158	-	268,953	-	-	959,556	16,056,102
Carrying amount	1,704,146	4,054,316	33,677,100	18,142,042	1,668,492	658,454	382,167	8,589	314,000	60,609,306

4. **PROPERTY, PLANT AND EQUIPMENT**

Company

	Leasehold land RM	Buildings RM	Electrical installation RM	Motor vehicles RM	Total RM
2017					
At cost					
Balance at beginning	**800,000**	**5,125,527**	**422,728**	**154,771**	**6,503,026**
Additions	**-**	**170,830**	**-**	**-**	**170,830**
Disposal	**-**	**-**	**-**	**(37,495)**	**(37,495)**
Balance at end	**800,000**	**5,296,357**	**422,728**	**117,276**	**6,636,361**
Accumulated depreciation					
Balance at beginning	**232,298**	**1,511,038**	**417,800**	**154,767**	**2,315,903**
Current charge	**13,333**	**104,846**	**-**	**-**	**118,179**
Disposal	**-**	**-**	**-**	**(37,494)**	**(37,494)**
Balance at end	**245,631**	**1,615,884**	**417,800**	**117,273**	**2,396,588**
Accumulated impairment loss					
Balance at beginning/end	**-**	**-**	**4,910**	**-**	**4,910**
Carrying amount	**554,369**	**3,680,473**	**18**	**3**	**4,234,863**
2016					
At cost					
Balance at beginning	800,000	5,125,527	649,835	154,771	6,730,133
Written off	-	-	(227,107)	-	(227,107)
Balance at end	800,000	5,125,527	422,728	154,771	6,503,026
Accumulated depreciation					
Balance at beginning	218,965	1,408,528	641,670	154,767	2,423,930
Current charge	13,333	102,510	29	-	115,872
Written off	-	-	(223,899)	-	(223,899)
Balance at end	232,298	1,511,038	417,800	154,767	2,315,903
Accumulated impairment loss					
Balance at beginning	-	-	7,967	-	7,967
Written off	-	-	(3,057)	-	(3,057)
Balance at end	-	-	4,910	-	4,910
Carrying amount	567,702	3,614,489	18	4	4,182,213

4. **PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

(i) The carrying amount of property, plant and equipment which is pledged to a licensed bank as securities for banking facilities granted to a subsidiary are as follows:

	GROUP	
	2017	2016
	RM	RM
Leasehold land	**1,963,851**	-
Buildings	**11,074,293**	-
	13,038,144	-

(ii) The carrying amount of property, plant and equipment which were acquired under finance lease are as follows:

	GROUP	
	2017	2016
	RM	RM
Plant and machinery	**2,109,351**	2,934,914
Office equipment	**78,601**	-
Motor vehicles	**636,838**	326,064
	2,824,790	3,260,978

5. **INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2017	2016
	RM	RM
Unquoted shares, at cost	**189,333,116**	188,583,116
Less: Allowance for impairment		
Balance at beginning	**(76,632,024)**	(59,460,325)
Charge for the year	**-**	(17,171,699)
Balance at end	**(76,632,024)**	(76,632,024)
	112,701,092	111,951,092

The details of the subsidiaries, all of which were incorporated in Malaysia, except where indicated are as follows:

Name of entity	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
Direct			
Exzone Precision Engineering Sdn. Bhd. (Formerly known as Luster Precision Engineering Sdn. Bhd.)	**100**	100	Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products.
Luster Plastic Industries Sdn. Bhd.	**100**	100	Dormant.
Luster Manufacturing Sdn. Bhd.	**100**	100	Investment holding.

5. **INVESTMENT IN SUBSIDIARIES (Cont'd)**

Name of entity	Effective equity interest 2017 %	2016 %	Principal activities
Luster Chi Wo Sdn. Bhd.	**51**	51	Dormant.
Winco Precision Engineering (Melaka) Sdn. Bhd.	**100**	100	Precision engineering work and manufacturing of die-casting components.
Winco Precision Technologies Sdn. Bhd.	**80**	80	Dormant.
Exzone Plastics Manufacturers Sdn. Bhd.	**100**	100	Manufacturing of plastic injection moulded parts, sub-assembly of plastic parts and provision of its related services.
Luster Construction Sdn. Bhd.	**100**	-	Construction of properties.
* Pan Cambodian Lottery Corporation Limited ("PCL") (Incorporated in Cambodia)	**60**	60	Lottery operator in Cambodia.
Indirect - held through Exzone Precision Engineering Sdn. Bhd. (Formerly known as Luster Precision Engineering Sdn. Bhd.)			
* Luster Seweon Sdn. Bhd.	**-**	70	Dormant.
Indirect - held through Luster Plastic Industries Sdn. Bhd.			
Linpower Resources Sdn. Bhd.	**100**	100	Dormant.
Indirect - held through Exzone Plastics Manufacturers Sdn. Bhd.			
Imetron (M) Sdn. Bhd.	**100**	100	Property letting.
Indirect - held through Winco Precision Engineering (Melaka) Sdn. Bhd.			
Winco Precision Technologies Sdn. Bhd.	**20**	20	Dormant.
Pembinaan LSP Jaya Sdn. Bhd.	**100**	100	Property construction and development.
Indirect - held through Luster Manufacturing Sdn. Bhd.			
Luster Venture Sdn. Bhd.	**100**	-	Property construction.
Luster Hijauan Home Sdn. Bhd.	**100**	-	Property development and real estate activities.

* Not audited by Grant Thornton.

5. **INVESTMENT IN SUBSIDIARIES (Cont'd)**

5.1 **Incorporation of new subsidiaries**

2017

(i) On 23 May 2017, Luster Manufacturing Sdn. Bhd. ("LM") incorporated a wholly-owned subsidiary, Luster Venture Sdn. Bhd. with a paid-up capital of RM2.

(ii) On 1 June 2017, the Company incorporated a wholly-owned subsidiary, Luster Construction Sdn. Bhd. with a paid-up capital of RM1. Subsequently, the Company subscribed for additional 749,999 ordinary shares for a cash consideration of RM749,999.

(iii) On 29 August 2017, LM incorporated another wholly-owned subsidiary, Luster Hijauan Home Sdn. Bhd. with a paid-up capital of RM1.

5.2 **Disposal of a subsidiary**

2017

On 20 December 2017, Exzone Precision Engineering Sdn. Bhd. (Formerly known as Luster Precision Engineering Sdn. Bhd.) ("EPE") disposed of its entire equity interest in Luster Seweon Sdn. Bhd. for a total cash consideration of RM1.

The effect of disposal on the financial position of the Group is disclosed in the consolidated statement of cash flows, under footnote (i).

5.3 **Changes in Group structure**

2016

On 1 February 2016, EPE subscribed for additional 999,998 ordinary shares of RM1 each in Pembinaan LSP Jaya Sdn. Bhd. ("PLSP") for a cash consideration of RM999,998.

Subsequently on 31 March 2016, EPE transferred its entire equity interest in PLSP comprising 1,000,000 ordinary shares of RM1 each in PLSP to Winco Precision Engineering (Melaka) Sdn. Bhd. ("WPE"), another wholly-owned subsidiary of the Company for a total cash consideration of RM1,000,000. Following that, PLSP became a wholly-owned subsidiary of WPE.

The reorganisation did not create any change in the equity interest of the Group in PLSP.

5.4 **Subsidiary with material non-controlling interests - PCL**

The details of the non-controlling interests ("NCI") are as follows:

	2017 **RM**	2016 RM
NCI percentage of ownership interest and voting interest	**40%**	40%
Carrying amount of NCI	**930,427**	870,495
Profit/(Loss) allocated to NCI	**153,772**	(782,906)

5. INVESTMENT IN SUBSIDIARIES (Cont'd)

5.4 Subsidiary with material non-controlling interests - PCL (Cont'd)

The summarised financial information of PCL presented below is the amount before inter-company elimination.

	2017 RM	2016 RM
Non-current assets	**158,523**	222,669
Current assets	**3,157,391**	2,867,331
Current liabilities	**(763,756)**	(913,763)
Net assets	**2,552,158**	2,176,237
Revenue	**3,825,529**	1,851,466
Net profit/(loss), representing total comprehensive income/(loss) for the financial year	**610,527**	(1,957,264)
Net cash generated from/(used in):		
Operating activities	**981,792**	(289,808)
Investing activities	**(56,501)**	(67,192)
Financing activities	**-**	289,893
Net change in cash and cash equivalents	**925,291**	(67,107)
Dividend paid to NCI	**-**	-

6. GOODWILL ON CONSOLIDATION

The goodwill is allocated to the Group's CGUs identified as follows:

	GROUP	
	2017 RM	2016 RM
At cost:		
Manufacturing	**8,591,870**	8,591,870
Gaming and leisure	**16,658,918**	16,658,918
	25,250,788	25,250,788
Less: Allowance for impairment	**(16,658,918)**	(16,658,918)
	8,591,870	8,591,870

Management has assessed the recoverable amount of goodwill based on value-in-use calculations determined by discounting future cash flows generated from use of the CGUs covering a period of 5 years and having considered the terminal value of the CGUs.

Key assumptions used in value-in-use calculations

Pre-tax discount rate at **14.60%** (2016: 9.20%) was applied to the calculations in determining the recoverable amount of the CGUs. The discount rate is estimated based on the weighted average cost of capital of the Group for the financial year.

The values assigned to the key assumptions (e.g. sales growth and gross margins) represent management's assessment of future trends of the various businesses and are based on both external and internal sources (historical data).

Following management's assessment, the CGU within the gaming and leisure segment was carried in excess of its fair value in use. Therefore, impairment is recognised amounting to **RM Nil** (2016: RM16,658,918) in the previous financial year. The impairment charge was recorded within administrative expenses in the Group's profit or loss.

6. **GOODWILL ON CONSOLIDATION (Cont'd)**

Sensitivity to changes in key assumptions

The management believes that any reasonable change in the key assumptions would not cause the recoverable amounts of the CGUs to differ materially from their carrying amounts except for changes in prevailing operating environment which is not ascertainable.

7. GROSS AMOUNT DUE FROM A CUSTOMER ON CONTRACT

	GROUP	
	2017	2016
	RM	RM
Construction contract costs incurred to date	**22,489,666**	-
Add: Attributable profit	**2,608,978**	-
	25,098,644	-
Less: Progress billings	**(25,035,777)**	-
	62,867	-

Included in construction contract costs incurred during the financial year is staff costs of **RM38,806** (2016: RM Nil).

8. PROPERTY DEVELOPMENT COSTS

	GROUP	
	2017	2016
	RM	RM
At cost:		
Balance at beginning	**9,895,188**	-
Development costs incurred during the financial year	**1,711,503**	9,895,188
Balance at end	**11,606,691**	9,895,188

On 9 March 2016, PLSP entered into a Tripartite Agreement with the landowner, Aznel Development Sdn. Bhd. ("ADSB") and Koperasi Hartanah Malaysia Berhad ("KOHAMA") to develop ADSB's land for the construction of a development project. Pursuant to the Tripartite Agreement, ADSB will deliver the necessary documents and information which are needed by PLSP to complete the development project at a consideration of RM6,360,000 subject to the terms and conditions of the Tripartite Agreement, out of which RM1,650,000 and RM1,000,000 were paid by KOHAMA and PLSP respectively while the balance of RM3,710,000 will be settled by PLSP upon completion of the development project. PLSP has been given the rights to complete the development project along with public facilities and necessary infrastructure.

On even date, PLSP entered into a profit-sharing agreement with KOHAMA, which states that out of the profits from the sale of the development units, PLSP is entitled to a profit of up to RM4,500,000, and KOHAMA is entitled to a profit in excess of RM4,500,000 up to RM5,000,000. The profit in excess of RM5,000,000 shall be shared between PLSP and KOHAMA in a 70:30 ratio.

9. INVENTORIES

	GROUP	
	2017	2016
	RM	RM
Raw materials	**5,511,382**	4,976,468
Work-in-progress	**2,757,963**	2,669,700
Finished goods	**4,312,775**	4,650,154
Consumables	**269,972**	253,202
	12,852,092	12,549,524

The cost of inventories recognised in profit or loss as cost of sales for the financial year amounted to **RM94,369,887** (2016: RM88,275,896).

10. **TRADE RECEIVABLES**

	GROUP	
	2017	2016
	RM	RM
Trade receivables	**43,658,832**	26,832,898
Less: Allowance for impairment	**(1,791,077)**	(1,791,077)
	41,867,755	25,041,821

The currency profile of trade receivables is as follows:

	GROUP	
	2017	2016
	RM	RM
Ringgit Malaysia	**35,871,701**	16,588,475
US Dollar	**5,210,997**	6,662,707
Singapore Dollar	**784,004**	1,342,775
Cambodian Riel	**1,053**	446,771
Euro	**-**	1,093
	41,867,755	25,041,821

Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

	Gross amount RM	Balance that is set off RM	Net carrying amount RM
2017			
Trade receivables	**42,945,062**	**(1,077,307)**	**41,867,755**
Trade payables	**(23,030,950)**	**1,077,307**	**(21,953,643)**

Certain trade receivables and trade payables were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The normal credit terms granted to trade receivables range from **30 to 75 days** (2016: 30 to 75 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in the Group's trade receivables is an amount of **RM129,568** (2016: RM181,846) due from a company in which persons connected to the directors of certain subsidiaries have substantial financial interests.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Other receivables	11.1	**5,705,669**	1,634,831	**275,010**	463,850
Less: Allowance for impairment		**(252,449)**	(252,449)	**-**	-
		5,453,220	1,382,382	**275,010**	463,850
Stakeholder sum	11.2	**6,000,000**	6,000,000	**6,000,000**	6,000,000
GST claimable		**283,640**	414,027	**-**	-
Deposits and prepayments	11.3	**26,523,590**	8,994,022	**148,614**	124,734
Less: Allowance for impairment		**(4,155,935)**	(4,155,935)	**-**	-
		22,367,655	4,838,087	**148,614**	124,734
		34,104,515	12,634,496	**6,423,624**	6,588,584

The currency profile of other receivables, deposits and prepayments is as follows:

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Ringgit Malaysia	**31,785,622**	9,922,055	**6,423,624**	6,588,584
US Dollar	**2,167,349**	2,658,879	**-**	-
Cambodian Riel	**139,960**	53,562	**-**	-
Australian Dollar	**11,584**	-	**-**	-
	34,104,515	12,634,496	**6,423,624**	6,588,584

11.1 Other receivables

Included herein is an amount of **RM4,500,000** (2016: RM Nil) being advancement to Cosmo Property Management Sdn. Bhd. pursuant to the agreement as disclosed in Note 33.2 to the financial statements.

11.2 Stakeholder sum

The stakeholder sum was paid to a legal firm and is in relation to the material litigation as disclosed in Note 33.1 to the financial statements.

11.3 Deposits and prepayments

The movement in the allowance for impairment account is as follows:

	GROUP 2017 RM	GROUP 2016 RM
Balance at beginning	**4,155,935**	-
Charge for the year	**-**	4,155,935
Balance at end	**4,155,935**	4,155,935

Included in deposits and prepayments are:

(i) An amount of **USD500,000** (2016: USD500,000) being statutory deposit placed with the National Bank of Cambodia upon issuance of the gaming license by Ministry of Economy and Finance, Cambodia to a subsidiary, Pan Cambodia Lottery Corporation Limited.

(ii) An amount of **RM1,200,000** (2016: RM1,200,000) being performance bond paid to KOHAMA which will be refunded upon completion of the development project disclosed in Note 8.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

11.3 Deposits and prepayments

Included in deposits and prepayments are (Con'td):

(iii) Amounts of **RM5,666,445** (2016: RM Nil) being performance bond and **RM8,133,751** (2016: RM Nil) being project costs for the Awarded Project paid pursuant to the Project Financing, Management and Construction Agreement as disclosed in Note 33.3.

(iv) An amount of **RM4,000,000** (2016: RM Nil) being deposit paid pursuant to the Joint Venture Agreement as disclosed in Note 33.4.

(v) An amount of **RM2,500,000** (2016: RM2,500,000) paid by a wholly-owned subsidiary, Linpower Resources Sdn. Bhd., pursuant to a joint venture agreement on 17 June 2014. The subsidiary has impaired the deposit in full in the previous financial year.

12. AMOUNT DUE FROM/TO SUBSIDIARIES

	COMPANY	
	2017	2016
	RM	RM
Amount due from subsidiaries:		
Total amount	**31,247,244**	6,005,661
Less: Allowance for impairment		
Balance at beginning	**1,220,779**	-
Charge for the year	**9,000**	1,220,779
Written off	**(1,229,779)**	-
Balance at end	**-**	(1,220,779)
	31,247,244	4,784,882

	COMPANY	
	2017	2016
	RM	RM
Amount due to subsidiaries:		
Total amount	**11,383,300**	11,670,936

Included in amount due from subsidiaries is an amount of **RM288,960** (2016: RM317,660) which is denominated in US Dollar.

The amount due from/to subsidiaries is non-trade related, unsecured, non-interest bearing and is repayable on demand.

13. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Unencumbered	**146,392**	151,588	**-**	33,882
Encumbered	**1,242,985**	4,128,929	**-**	-
	1,389,377	4,280,517	**-**	33,882

The encumbered fixed deposits are pledged to licensed banks for banking facilities granted to certain subsidiaries.

Included in the Group's fixed deposits is a fixed deposit of **RM120,760** (2016: RM117,706) placed in the name of a director of the Company, in trust for a subsidiary.

The effective interest rates per annum of the fixed deposits of the Group and of the Company as at the end of the reporting period ranged from **2.00% to 3.10%** (2016: 1.50% to 3.35%) and Nil (2016: 3.30%) respectively.

14. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Short term funds with licensed financial institutions	**4,028,723**	3,737,681	**-**	-
Cash and bank balances	**13,799,504**	13,031,174	**137,688**	1,697,639
	17,828,227	16,768,855	**137,688**	1,697,639

14. CASH AND BANK BALANCES (Cont'd)

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Ringgit Malaysia	**12,417,257**	11,260,248	**137,688**	1,696,483
US Dollar	**1,185,005**	1,036,118	**-**	117
Singapore Dollar	**3,362,224**	4,347,725	**-**	1,017
Cambodian Riel	**863,741**	124,742	**-**	-
Others	**-**	22	**-**	22
	17,828,227	16,768,855	**137,688**	1,697,639

15. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Leasehold land and building:				
Balance at beginning	**1,810,265**	6,856,597	**1,810,265**	5,529,064
Additions	**200,000**	161,679	**200,000**	161,679
Disposal	**(2,010,265)**	(5,208,011)	**(2,010,265)**	(3,880,478)
Balance at end	**-**	1,810,265	**-**	1,810,265

16. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017	2016	**2017**	2016
			RM	RM
Issued and fully paid				
Balance at beginning	**1,731,908,910**	1,731,908,910	**173,190,891**	173,190,891
Issuance pursuant to:				
- Private placements	**174,385,500**	-	**18,851,598**	-
- Conversion of ICULS	**4,734,600**	-	**473,460**	-
- ESOS exercised	**65,006,000**	-	**6,536,975**	-
- Transfer from ESOS reserve upon ESOS exercised	**-**	-	**1,525,340**	-
- Transfer of share premium pursuant to no-par value regime of the Act	**-**	-	**951,186**	-
Balance at end	**1,976,035,010**	1,731,908,910	**201,529,450**	173,190,891

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

During the financial year, the Company had increased its issued and paid up ordinary share capital from RM173,190,891 to RM201,529,450 by way of the following:

(i) Private Placements
- Allotment of 76,000,000 new ordinary shares at an issue price of RM0.105 per share for a total cash consideration of RM7,980,000.
- Allotment of 98,385,500 new ordinary shares at an issue price of RM0.1105 per share for a total cash consideration of RM10,871,598.

(ii) Issuance of 4,734,600 ordinary shares pursuant to the conversion of 4,734,600 5-year 0% Irredeemable Convertible Unsecured Loan Stocks of RM0.10 nominal value each ("ICULS") by surrendering one unit of ICULS for one new ordinary share.

(iii) Issuance of 65,006,000 new ordinary shares pursuant to the exercise of the Company's share options at a weighted average exercise price of RM0.10 per ordinary share for a total cash consideration of RM6,536,975. Upon the exercise of the share options, the related share options reserve of RM1,525,340 was transferred to the Company's share capital.

(iv) Transfer of share premium pursuant to Section 618(2) of the Companies Act 2016 amounting to RM951,186 to become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618(3) of the Act.

17. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Number of ICULS		Amount	
	2017	2016	**2017**	2016
			RM	RM
Balance at beginning	**4,734,600**	4,734,600	**473,460**	473,460
Converted into ordinary shares	**(4,734,600)**	-	**(473,460)**	-
Balance at end	**-**	4,734,600	**-**	473,460

The 5-year 0% Irredeemable Convertible Unsecured Loan Stocks at nominal value of RM0.10 each ("ICULS") were constituted by a Trust Deed dated 23 April 2012 made between the Company and the Trustee for the holders of the ICULS.

The main features of the ICULS are as follows:

(i) The ICULS shall be convertible into ordinary shares of the Company during the period from 5 June 2012 to the maturity date on 5 June 2017 by surrendering one RM0.10 nominal value of ICULS for one new ordinary share of the Company.

17. **IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (Cont'd)**

The main features of the ICULS are as follows (Con'td):

(ii) The new ordinary shares to be issued upon conversion of the ICULS, shall rank pari passu in all respects with the then existing ordinary shares of the Company, except that they shall not be entitled to any dividends, rights, allotments and other distributions, the entitlement date of which is prior to the allotment date of the new ordinary shares of the Company to be issued pursuant to the conversion of the ICULS.

(iii) The conversion price of the ICULS are subject to adjustment in the event of any alteration in the Company's share capital on or before the maturity date in accordance with the provisions set out in the Trust Deed.

During the financial year 4,734,600 ICULS were converted into ordinary shares of the Company.

18. **OTHER RESERVES**

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	Note	**RM**	RM	**RM**	RM
Share premium		**-**	951,186	**-**	951,186
Foreign currency translation reserve	**18.1**	**721,821**	862,584	**-**	-
Warrants reserve	**18.2**	**22,618,076**	22,618,076	**22,618,076**	22,618,076
Discount on shares	**18.2**	**(22,618,076)**	(22,618,076)	**(22,618,076)**	(22,618,076)
ESOS reserve	**18.3**	**-**	1,589,667	**-**	1,589,667
Capital reserve	**18.4**	**8,419,642**	8,419,642	**-**	-
		9,141,463	11,823,079	**-**	2,540,853
Accumulated losses		**(55,660,749)**	(60,660,447)	**(57,583,672)**	(57,233,311)
		(46,519,286)	(48,837,368)	**(57,583,672)**	(54,692,458)

18.1 **Foreign currency translation reserve**

The foreign currency translation reserve is in respect of foreign exchange differences on translation of the financial statements of the Group's foreign subsidiary.

18.2 **Warrants reserve and Discount on shares**

The warrants reserve comprises the fair values of the following Warrants:

		2017	2016
	Note	**RM**	RM
Warrants A expiring 3 June 2022	**18.2(i)**	**12,493,076**	12,493,076
Warrants B expiring 26 May 2023	**18.2(ii)**	**10,125,000**	10,125,000
		22,618,076	22,618,076

(i) On 5 June 2012, the Company issued 441,594,505 10-year free detachable warrants 2012/2022 ("Warrants A") pursuant to the Company's restructuring exercise. The Warrants A are constituted by a deed poll dated 23 April 2012. The Warrants A are listed on Bursa Malaysia on 12 June 2012. During the financial year, no Warrants A were exercised. As at 31 December 2017, there was a total of 441,594,505 unexercised Warrants A.

The main features of the Warrants A are as follows:

- Each Warrant A entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.10 per ordinary share.
- The exercise price and the number of Warrants A are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll.

18. **OTHER RESERVES (Cont'd)**

18.2 **Warrants reserve and Discount on shares**

(ii) The main features of the Warrants A are as follows (Cont'd):

- The Warrants A shall be exercisable at any time within the period commencing on and including the date of issue of the Warrants A until the last market day prior to the tenth anniversary of the date of issue of the Warrants A.
- All new ordinary shares to be issued arising from the exercise of the Warrants A shall rank pari passu in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants A.
- At the expiry of the exercise period, any Warrants A which have not been exercised will lapse and cease to be valid for any purpose.

(ii) On 27 May 2013, the Company issued 216,000,000 10-year free detachable warrants 2013/2023 ("Warrants B") pursuant to the Company's Placement Shares with Warrants exercise. The Warrants B are constituted by a deed poll dated 23 May 2013. The Warrants B are listed on Bursa Malaysia on 30 May 2013. During the financial year, no Warrants B were exercised. As at 31 December 2017, there was a total of 216,000,000 unexercised Warrants B.

The main features of the Warrants B are as follows:

- Each Warrant B entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.10 per ordinary share.
- The exercise price and the number of Warrants B are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll.
- The Warrants B shall be exercisable at any time within the period commencing on and including the date of issue of the Warrants B until the last market day prior to the tenth anniversary of the date of issue of the Warrants B.
- All new ordinary shares to be issued arising from the exercise of the Warrants B shall rank pari passu in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants B.
- At the expiry of the exercise period, any Warrants B which have not been exercised will lapse and cease to be valid for any purpose.

The discount on shares is a reserve account that is created to preserve the par value of the ordinary shares.

18.3 **ESOS reserve**

The ESOS reserve represents the fair value of the equity-settled share option granted to eligible employees of certain subsidiaries and the Group's directors. The share option reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the expiry or exercise of the share option. Following the expiration of the ESOS during the financial year, the balance outstanding in the ESOS reserve is transferred to accumulated losses.

18.4 **Capital reserve**

Capital reserve represents the excess of the Group's share of net assets before and after the change in its ownership interest, and the consideration paid for the acquisition from its non-controlling interest.

19. BORROWINGS

	GROUP	
	2017	2016
	RM	RM
Non-current liabilities		
Finance lease liabilities		
Minimum payments:		
Within one year	**892,403**	1,080,022
More than one year and less than two years	**838,273**	824,164
More than two years and less than five years	**633,985**	977,766
	2,364,661	2,881,952
Future finance charges	**(211,384)**	(263,711)
	2,153,277	2,618,241
Amount due within one year included under current liabilities	**(774,466)**	(945,947)
	1,378,811	1,672,294
Current liabilities		
Bankers acceptance	**-**	2,000,000
Finance lease liabilities	**774,466**	945,947
	774,466	2,945,947
Total borrowings	**2,153,277**	4,618,241

19. BORROWINGS (Cont'd)

The borrowings are secured by way of:

(i) Pledge of fixed deposits,
(ii) Corporate guarantee of the Company, and
(iii) Leased assets disclosed in Note 4.

A summary of the effective interest rates and the maturities of the borrowings is as follows:

	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM
2017					
Finance lease liabilities	**1.38 to 4.50**	**2,153,277**	**774,466**	**773,257**	**605,554**
2016					
Bankers acceptance	5.50 to 5.70	2,000,000	2,000,000	-	-
Finance lease liabilities	1.30 to 3.30	2,618,241	945,947	743,205	929,089

20. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Balance at beginning	**1,367,000**	2,100,000	**-**	658,000
Recognised in profit or loss	**13,000**	(240,000)	**-**	62,000
	1,380,000	1,860,000	**-**	720,000
Over provision in prior year	**(197,000)**	(493,000)	**-**	(720,000)
Balance at end	**1,183,000**	1,367,000	**-**	-

The deferred tax liabilities are represented by taxable temporary differences arising from property, plant and equipment.

21. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2017	2016
	RM	RM
Ringgit Malaysia	**21,126,389**	10,560,225
US Dollar	**826,663**	1,959,963
Singapore Dollar	**591**	1,121,574
	21,953,643	13,641,762

The trade payables are non-interest bearing and is normally settled within **30 days to 60 days** (2016: 30 days to 60 days) credit terms.

Included herein is an amount of **RM146,266** (2016: RM339,327) due to companies in which persons connected to the directors of certain subsidiaries have substantial financial interests.

22. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Other payables	**2,610,298**	3,177,370	**1,884**	100,668
GST payable	**179,735**	271,813	**3,681**	239,931
Accruals	**2,754,346**	3,230,005	**39,873**	73,377
Deposits received	**13,777**	211,935	**75,000**	250,000
Prepayments	**1,121,203**	867,872	**-**	-
	6,679,359	7,758,995	**120,438**	663,976

22. OTHER PAYABLES AND ACCRUAL (Cont'd)

The currency profile of other payables and accruals is as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Ringgit Malaysia	**5,742,393**	7,074,654	**120,438**	663,976
US Dollar	**621,780**	361,128	**-**	-
Singapore Dollar	**108,691**	-	**-**	-
Cambodian Riel	**206,495**	319,046	**-**	-
Euro	**-**	4,167	**-**	-
	6,679,359	7,758,995	**120,438**	663,976

Included in other payables and accruals are the following:

(i) An amount of **RM Nil** (2016: RM175,000) being deposit received from a purchaser in respect of the disposal of the Company's leasehold land and factory building which has been completed during the financial year, as disclosed in Note 15.

(ii) An amount of **RM600** (2016: RM3,075) due to a company in which persons connected to a director of a subsidiary have financial interests.

23. REVENUE

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sale of goods	**111,292,613**	111,829,153	**-**	-
Sale of lottery tickets	**3,825,528**	1,851,466	**-**	-
Construction contract revenue	**25,098,644**	-	**-**	-
Mould modification income	**939,252**	-	**-**	-
Rental income	**-**	-	**300,000**	300,000
Management fee	**-**	-	**360,000**	2,520,000
	141,156,037	113,680,619	**660,000**	2,820,000

24. PROFIT/(LOSS) BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
After charging:				
Auditors' remuneration				
- Statutory audit				
- Company's auditors	**122,000**	102,000	**39,000**	39,000
- Other auditors	**19,257**	26,600	**-**	-
Bad debts	**-**	3,112	**12,783**	2,974
Depreciation	**5,041,277**	5,045,641	**118,179**	115,872
Impairment loss on goodwill on consolidation	**-**	16,658,918	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	17,171,699
Impairment loss on property, plant and equipment	**-**	1,479,857	**-**	-
Impairment loss on deposits and prepayments	**-**	4,155,935	**-**	-
Interest expense on:				
- Bankers acceptance	**23,226**	88,385	**-**	-
- Finance lease	**173,537**	121,556	**-**	-
- Term loan	**-**	1,213	**-**	-
Loss on disposal of a subsidiary	**755**	-	**-**	-
Property, plant and equipment written off	**7,207**	276,221	**-**	151
Realised loss on foreign exchange	**1,199,677**	843,919	**-**	-
Rental expenses	**355,088**	587,749	**-**	-
* Staff costs	**24,833,659**	23,980,539	**95,000**	1,820,067
Unrealised loss on foreign exchange	**270,201**	-	**28,700**	-
And crediting:				
Gain on disposal of property, plant and equipment	**36,197**	39,697	**2,099**	-
Gain on disposal of non-current assets held-for-sale	**301,056**	791,989	**301,056**	119,522
Interest income	**509,827**	469,810	**47,123**	5,292
Realised gain on foreign exchange	**-**	-	**280**	-
Rental income	**20,566**	10,540	**-**	-
Unrealised gain on foreign exchange	**-**	246,779	**-**	34,430
Waiver of debts	**-**	26,289	**-**	-
* **Staff costs**				
- Wages, salaries, allowances, bonus and incentive	**23,279,365**	22,568,853	**95,000**	1,673,082
- EPF	**1,428,287**	1,266,480	**-**	143,536
- SOCSO	**164,813**	145,206	**-**	3,449
	24,872,465	23,980,539	**95,000**	1,820,067
Less: Capitalised in construction contract costs (Note 7)	**(38,806)**	-	**-**	-
	24,833,659	23,980,539	**95,000**	1,820,067

24. PROFIT/(LOSS) BEFORE TAX (Cont'd)

Directors' remuneration

Included in staff costs of the Group and of the Company is directors' remuneration as shown below:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Executive directors of the Company:				
- Salaries, allowance and incentive	**926,593**	1,557,836	**-**	1,557,836
- EPF	**63,853**	131,176	**-**	131,176
- Fee	**95,000**	140,000	**95,000**	140,000
	1,085,446	1,829,012	**95,000**	1,829,012
Non-executive directors of the Company:				
- Allowance	**9,500**	20,000	**9,500**	20,000
- Fee	**143,000**	160,269	**143,000**	160,269
	152,500	180,269	**152,500**	180,269
Executive directors of subsidiaries:				
- Salaries, allowance and incentive	**1,620,316**	1,255,553	**-**	-
- EPF	**149,412**	89,490	**-**	-
	1,769,728	1,345,043	**-**	-
Benefits-in-kind	**-**	14,667	**-**	-
	1,769,728	1,359,710	**-**	-
Total directors' remuneration	**3,007,674**	3,368,991	**247,500**	2,009,281

The directors' remuneration can be further analysed as:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Present directors:				
- Executive	**2,855,174**	2,787,834	**70,000**	1,230,204
- Non-executive	**131,000**	163,000	**131,000**	163,000
	2,986,174	2,950,834	**201,000**	1,393,204
Past directors:				
- Executive	**-**	400,888	**25,000**	598,808
- Non-executive	**21,500**	17,269	**21,500**	17,269
	21,500	418,157	**46,500**	616,077
	3,007,674	3,368,991	**247,500**	2,009,281

25. TAX (EXPENSE)/INCOME

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	**(1,974,000)**	(1,626,000)	**(14,000)**	(297,000)
- Deferred tax relating to the origination and reversal of temporary differences	**(13,000)**	240,000	**-**	(62,000)
	(1,987,000)	(1,386,000)	**(14,000)**	(359,000)
Over provision in prior years				
- Current tax	**(4,680)**	(328,507)	**12,845**	(246,072)
- Deferred tax	**197,000**	493,000	**-**	720,000
	192,320	164,493	**12,845**	473,928
	(1,794,680)	(1,221,507)	**(1,155)**	114,928

Taxation for other jurisdiction is calculated at the rate prevailing in the jurisdiction.

The reconciliation of tax (expense)/income of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Profit/(Loss) before tax	**6,885,663**	(24,273,180)	**(413,533)**	(17,544,614)
Income tax at Malaysian statutory tax rate of 24%	**(1,652,559)**	5,825,563	**99,248**	4,210,707
Effect of tax rate in foreign jurisdiction	**24,421**	(78,291)	**-**	-
Income not subject to tax	**377,975**	766,793	**72,501**	373,295
Expenses not deductible for tax purposes	**(952,347)**	(5,814,649)	**(291,918)**	(4,357,523)
Movements on net deferred tax assets not recognised	**215,510**	(2,085,416)	**106,169**	(585,479)
	(1,987,000)	(1,386,000)	**(14,000)**	(359,000)
Over provision in prior years	**192,320**	164,493	**12,845**	473,928
	(1,794,680)	(1,221,507)	**(1,155)**	114,928

The net deferred tax (assets)/liabilities not recognised as at the end of the reporting period are in respect of the following:

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment	**929,000**	550,000	**(241,000)**	(382,000)
Unabsorbed tax losses	**(5,756,000)**	(5,721,000)	**(35,000)**	-
Unabsorbed capital allowances	**(3,739,000)**	(3,611,000)	**-**	-
Unabsorbed reinvestment allowance	**(3,710,000)**	(3,710,000)	**-**	-
Unabsorbed prospecting allowance	**(248,000)**	(248,000)	**-**	-
	(12,524,000)	(12,740,000)	**(276,000)**	(382,000)

The potential deferred tax assets are not recognised in the financial statements as it is anticipated that the tax effects of such deferral will not reverse in the foreseeable future.

25. TAX (EXPENSE)/INCOME (Cont'd)

The gross amount and future availability of unabsorbed tax losses and allowances which are available to be carried forward for set-off against future taxable income are estimated as follows:

	GROUP	
	2017	**2016**
	RM	**RM**
Unabsorbed tax losses	**23,987,000**	23,855,000
Unabsorbed capital allowances	**15,572,000**	15,246,000
Unabsorbed reinvestment allowance	**15,458,000**	15,458,000
Unabsorbed prospecting allowance	**1,032,000**	1,032,000

26. EARNINGS/(LOSS) PER SHARE

26.1 Basic earnings/(loss) per share

Basic earnings/loss per share of the Group is calculated by dividing the profit/loss attributable to owners of the Company for the financial year by the weighted average number of ordinary shares in issue during the financial year:

	GROUP	
	2017	2016
Profit/(Loss) attributable to owners of the Company (RM)	**4,935,371**	(24,709,895)
Weighted average number of ordinary shares in issue	**1,895,421,577**	1,731,908,910
Basic earnings/(loss) per share (in sen)	**0.26**	(1.43)

26.2 Diluted earnings/(loss) per share

Diluted earnings/loss per share of the Group is calculated by dividing the profit/loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted for the dilutive effects of all potential ordinary shares.

	2017	**2016**
Profit/(Loss) attributable to owners of the Company (RM)	**4,935,371**	(24,709,895)
Weighted average number of ordinary shares in issue as above	**1,895,421,577**	1,731,908,910
Adjusted for conversion of Warrants	**84,955,569**	-
Weighted average number of ordinary shares (diluted)	**1,980,377,146**	1,731,908,910
Diluted earnings/(loss) per share (in sen)	**0.25**	(1.43)

27. SEGMENTAL INFORMATION

Business Segments

Business segments are based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group is organised into business units based on their products and services, which comprise the following:

(i) Manufacturing of precision plastic parts, sub-assembly, die-casting components and precision engineering works.
(ii) Property construction and property development.
(iii) Gaming and leisure.
(iv) Others which consist of investment holding and inactive companies.

27. **SEGMENTAL INFORMATION (Cont'd)**

By business segments

	Manufacturing		Property construction and property development		Gaming and leisure		Others		Elimination			Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		2017	2016
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	Note	RM	RM
Revenue													
External sales	**112,231,865**	111,829,153	**25,098,644**	-	**3,825,528**	1,851,466	**-**	-	**-**	-		**141,156,037**	113,680,619
Inter-segment sales	**-**	-	**-**	-	**-**	-	**876,000**	3,036,000	**(876,000)**	(3,036,000)	**A**	**-**	-
Total revenue	**112,231,865**	111,829,153	**25,098,644**	-	**3,825,528**	1,851,466	**876,000**	3,036,000	**(876,000)**	(3,036,000)		**141,156,037**	113,680,619
Results													
Segment results	**4,704,293**	(2,863,537)	**1,630,866**	(253,777)	**610,527**	(1,957,265)	**502,913**	(16,421,257)	**(876,000)**	(3,036,000)		**6,572,599**	(24,531,836)
Interest income	**447,910**	461,624	**11,546**	-	**-**	-	**88,770**	30,641	**(38,399)**	(22,455)		**509,827**	469,810
Interest expense	**(235,162)**	(233,609)	**-**	-	**-**	-	**-**	-	**38,399**	22,455		**(196,763)**	(211,154)
Tax (expense)/ income	**(1,219,063)**	(1,269,642)	**(533,000)**	-	**-**	-	**(42,617)**	48,135	**-**	-		**(1,794,680)**	(1,221,507)
Profit/(Loss) for the financial year	**3,697,978**	(3,905,164)	**1,109,412**	(253,777)	**610,527**	(1,957,265)	**549,066**	(16,342,481)	**(876,000)**	(3,036,000)		**5,090,983**	(25,494,687)
Assets													
Segment assets	**90,062,942**	94,559,934	**54,708,418**	11,179,047	**2,327,486**	2,960,757	**126,390,347**	126,429,962	**(105,967,485)**	(103,997,230)		**167,521,708**	131,132,470
Current tax assets	**692,376**	997,687	**-**	-	**-**	-	**705,990**	259,450	**-**	-		**1,398,366**	1,257,137
Fixed deposits with licensed banks	**1,268,617**	4,128,929	**-**	-	**-**	-	**120,760**	151,588	**-**	-		**1,389,377**	4,280,517
Cash and bank balances	**14,327,928**	14,617,067	**2,097,461**	19,946	**988,431**	129,243	**414,407**	2,002,599	**-**	-		**17,828,227**	16,768,855
Total assets	**106,351,863**	114,303,617	**56,805,879**	11,198,993	**3,315,917**	3,090,000	**127,631,504**	128,843,599	**(105,967,485)**	(103,997,230)		**188,137,678**	153,438,979
Liabilities													
Segment liabilities	**13,283,363**	19,836,970	**14,817,574**	363,751	**479,692**	913,763	**127,373**	674,558	**(75,000)**	(388,285)		**28,633,002**	21,400,757
Deferred tax liabilities	**624,155**	850,224	**55,000**	-	**-**	-	**503,845**	516,776	**-**	-		**1,183,000**	1,367,000
Borrowings	**2,153,277**	4,618,241	**-**	-	**-**	-	**-**	-	**-**	-		**2,153,277**	4,618,241
Current tax liabilities	**180,393**	328,722	**28,000**	-	**-**	-	**10,669**	28,669	**-**	-		**219,062**	357,391
Total liabilities	**16,241,188**	25,634,157	**14,900,574**	363,751	**479,692**	913,763	**641,887**	1,220,003	**(75,000)**	(388,285)		**32,188,341**	27,743,389
Other information													
Additions to non-current assets	**2,279,510**	3,462,937	**379,955**	-	**56,497**	88,938	**170,830**	76,066	**-**	(185,681)	**B**	**2,886,792**	3,442,260
Depreciation	**4,724,798**	4,739,663	**25,236**	-	**95,033**	107,442	**196,210**	196,210	**-**	-		**5,041,277**	5,045,641
Non-cash expenses/ (income) other than depreciation	**189,626**	780,950	**-**	-	**17,327**	1,706,840	**(253,260)**	18,981,485	**(12,783)**	14	**C**	**(59,090)**	21,469,289

27. **SEGMENTAL INFORMATION (Cont'd)**

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consist of total costs incurred to acquire property, plant and equipment.

C Other non-cash expenses/(income) consist of the following items:

	2017 **RM**	2016 RM
Bad debts	**-**	3,112
Gain on disposal of property, plant and equipment	**(36,197)**	(39,697)
Gain on disposal of non-current assets held for sale	**(301,056)**	(791,989)
Impairment loss on goodwill on consolidation	**-**	16,658,918
Impairment loss on property, plant and equipment	**-**	1,479,857
Impairment loss on deposits and prepayments	**-**	4,155,935
Loss on disposal of a subsidiary	**755**	-
Property, plant and equipment written off	**7,207**	276,221
Unrealised loss/(gain) on foreign exchange	**270,201**	(246,779)
Waiver of debts	**-**	(26,289)
	(59,090)	21,469,289

Information about major customers

Total revenue from **3** (2016: 2) major customers which individually contributed to 10% or more of the Group's revenue from the manufacturing and property construction segments, amounted to **RM68,502,619** (2016: RM38,876,760).

By geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

	Revenue		**Non-current assets**	
	2017 **RM**	2016 RM	**2017** **RM**	2016 RM
Malaysia	**95,411,438**	70,398,341	**66,869,265**	68,978,507
Singapore	**18,634,563**	18,596,170	**-**	-
Australia	**4,457,568**	6,069,048	**-**	-
United Kingdom	**13,645,621**	10,284,269	**-**	-
Cambodia	**3,825,528**	1,851,466	**158,523**	222,669
Other countries	**5,181,319**	6,481,325	**-**	-
	141,156,037	113,680,619	**67,027,788**	69,201,176

28. **COMMITMENTS**

(i) **Capital commitment**

	GROUP	
	2017 **RM**	2016 RM
Contracted but not provided for:		
- Property, plant and equipment	**76,000**	211,297

28. **COMMITMENTS (Cont'd)**

(ii) **Other commitments**

The balance commitments payable pursuant to:

		GROUP	
	Note	**2017 RM**	2016 RM
- Tripartite Agreement	**8**	**3,710,000**	3,710,000
- Joint venture agreement	**11.3(v)**	**-**	1,500,000
- Project Financing, Management and Construction Agreement	**33.3**	**15,198,000**	-
- Joint Venture Agreement	**33.4**	**6,000,000**	-
		24,908,000	5,210,000

29. **RELATED PARTY DISCLOSURES**

(i) **Identity of related parties**

The Group has related party relationship with its subsidiaries, key management personnel and the following parties:

Related parties	Relationship
- Premierpath Sdn. Bhd. - Durachem (Penang) Sdn. Bhd. - Gem Spektra Sdn. Bhd.	: Companies in which persons connected to certain directors of the certain subsidiaries, namely Mr. Lim See Chea, Mr. Lim See Hua and Mr. Lim See Meng, have substantial financial interests.
- Shun Fa Sdn. Bhd.	: A company in which a person connected to a director of a subsidiary, Mr. Tan Kim Cheang, has substantial financial interests.

(ii) **Related party transactions**

	GROUP		COMPANY	
	2017 RM	2016 RM	**2017 RM**	2016 RM
Rental income	**-**	-	**300,000**	300,000
Management fees charged to subsidiaries	**-**	-	**360,000**	2,520,000
Purchases from related parties:				
- Premierpath Sdn. Bhd.	**6,984**	6,588	**-**	-
- Durachem (Penang) Sdn. Bhd.	**824,486**	1,220,463	**-**	-
- Shun Fa Sdn. Bhd.	**20,594**	16,950	**-**	-
Sales to related parties:				
- Gem Spektra Sdn. Bhd.	**-**	147,573	**-**	-
- Durachem (Penang) Sdn. Bhd.	**673**	-	**-**	-
Subcontractor fee charged by a related party:				
- Gem Spektra Sdn. Bhd.	**-**	280	**-**	-
Sale of motor vehicles to certain directors of a subsidiary	**-**	2	**-**	-

29. RELATED PARTY DISCLOSURES (Cont'd)

(iii) Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The Company has no other members of key management personnel apart from the Board of Directors which compensation has been shown in Note 24.

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as loan and receivables ("L&R") and financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM	FL RM
GROUP			
2017			
Financial assets			
Trade receivables	**41,867,755**	**41,867,755**	**-**
Other receivables and refundable deposits	**24,398,677**	**24,398,677**	**-**
Fixed deposits with licensed banks	**1,389,377**	**1,389,377**	**-**
Cash and bank balances	**17,828,227**	**17,828,227**	**-**
	85,484,036	**85,484,036**	**-**
Financial liabilities			
Borrowings	**2,153,277**	**-**	**2,153,277**
Trade payables	**21,953,643**	**-**	**21,953,643**
Other payables and accruals	**5,378,421**	**-**	**5,378,421**
	29,485,341	**-**	**29,485,341**
2016			
Financial assets			
Trade receivables	25,041,821	25,041,821	-
Other receivables and refundable deposits	11,861,312	11,861,312	-
Fixed deposits with licensed banks	4,280,517	4,280,517	-
Cash and bank balances	16,768,855	16,768,855	-
	57,952,505	57,952,505	-
Financial liabilities			
Borrowings	4,618,241	-	4,618,241
Trade payables	13,641,762	-	13,641,762
Other payables and accruals	6,891,123	-	6,891,123
	25,151,126	-	25,151,126

30. FINANCIAL INSTRUMENTS (Cont'd)

30.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM	FL RM
COMPANY			
2017			
Financial assets			
Other receivables and refundable deposits	**6,354,694**	**6,354,694**	**-**
Amount due from subsidiaries	**31,247,244**	**31,247,244**	**-**
Cash and bank balances	**137,688**	**137,688**	**-**
	37,739,626	**37,739,626**	**-**
Financial liabilities			
Other payables and accruals	**116,757**	**-**	**116,757**
Amount due to subsidiaries	**11,383,300**	**-**	**11,383,300**
	11,500,057	**-**	**11,500,057**
2016			
Financial assets			
Other receivables and refundable deposits	6,548,300	6,548,300	-
Amount due from subsidiaries	4,784,882	4,784,882	-
Fixed deposits with licensed banks	33,882	33,882	-
Cash and bank balances	1,697,639	1,697,639	-
	13,064,703	13,064,703	-
Financial liabilities			
Other payables and accruals	424,046	-	424,046
Amount due to subsidiaries	11,670,936	-	11,670,936
	12,094,982	-	12,094,982

30.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

30.3 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group's exposure to credit risk arises principally from its trade receivables whilst the Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees provided to financial institutions in respect of credit facilities granted to certain subsidiaries.

30.3.1 Trade receivables

The Group gives its customers credit terms that range between **30 to 75 days** (2016: 30 to 75 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the statement of financial position.

30. **FINANCIAL INSTRUMENTS (Cont'd)**

30.3 **Credit risk (Cont'd)**

30.3.1 **Trade receivables (Cont'd)**

The ageing analysis of trade receivables and accumulated impairment losses of the Group is as follows:

	Gross RM	Impairment loss RM	Net RM
GROUP			
2017			
Not past due	**20,960,400**	**-**	**20,960,400**
1 to 60 days past due	**15,573,311**	**-**	**15,573,311**
61 to 120 days past due	**2,942,380**	**-**	**2,942,380**
Past due more than 120 days	**4,182,741**	**(1,791,077)**	**2,391,664**
	22,698,432	**(1,791,077)**	**20,907,355**
	43,658,832	**(1,791,077)**	**41,867,755**
2016			
Not past due	17,073,866	-	17,073,866
1 to 60 days past due	7,835,585	-	7,835,585
61 to 120 days past due	106,494	-	106,494
Past due more than 120 days	1,816,953	(1,791,077)	25,876
	9,756,032	(1,791,077)	7,967,955
	26,832,898	(1,791,077)	25,041,821

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group has trade receivables amounting to **RM20,907,355** (2016: RM7,967,955) that are past due but not impaired as the management is of the view that these debts will be collected in due course.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The Group has significant concentration of credit risk in the form of outstanding balance due from **2 customers** (2016: 1 customer) representing **63%** (2016: 29%) of the total trade receivables.

30.3.2 **Intercompany balances**

The Company provides advances to its subsidiaries and monitors their results regularly.

The maximum exposure to credit risk is represented by the carrying amount in the Company's statement of financial position.

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of these advances. Nevertheless, these advances are not regarded as overdue and are repayable on demand.

30. FINANCIAL INSTRUMENTS (Cont'd)

30.3 Credit risk (Cont'd)

30.3.3 Financial guarantees

The Company has issued financial guarantees to financial institutions for banking facilities granted to certain subsidiaries and unsecured performance guarantee to an unrelated party for performance of a contract by a subsidiary.

	2017 RM	2016 RM
Corporate guarantees issued to financial institutions for banking facilities granted to certain subsidiaries		
- Limit	**13,419,200**	3,407,176
- Maximum exposure	**2,047,767**	2,169,922
Performance guarantee issued to an unrelated party for performance of a contract for works by a subsidiary	**6,000,000**	-

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment and/or could not perform the contract for works in accordance with the contract's terms.

30.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	**Contractual cash flows RM**	**Within 1 year RM**	**More than 1 year and less than 2 years RM**	**More than 2 years and less than 5 years RM**
GROUP					
2017					
Non-derivative financial liabilities					
Borrowings	**2,153,277**	**2,364,661**	**892,403**	**838,273**	**633,985**
Trade payables	**21,953,643**	**21,953,643**	**21,953,643**	**-**	**-**
Other payables and accruals	**5,378,421**	**5,378,421**	**5,378,421**	**-**	**-**
* Financial guarantees	**-**	**6,000,000**	**6,000,000**	**-**	**-**
	29,485,341	**35,696,725**	**34,224,467**	**838,273**	**633,985**

30. FINANCIAL INSTRUMENTS (Cont'd)

30.4 Liquidity risk (Cont'd)

	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM
2016					
Non-derivative financial liabilities					
Borrowings	4,618,241	4,881,952	3,080,022	824,164	977,766
Trade payables	13,641,762	13,641,762	13,641,762	-	-
Other payables and accruals	6,891,123	6,891,123	6,891,123	-	-
	25,151,126	25,414,837	23,612,907	824,164	977,766
COMPANY					
2017					
Non-derivative financial liabilities					
Other payables and accruals	**116,757**	**116,757**	**116,757**	**-**	**-**
Amount due to subsidiaries	**11,383,300**	**11,383,300**	**11,383,300**	**-**	**-**
* Financial guarantees	**-**	**8,047,767**	**8,047,767**	**-**	**-**
	11,500,057	**19,547,824**	**19,547,824**	**-**	**-**
2016					
Non-derivative financial liabilities					
Other payables and accruals	424,046	424,046	424,046	-	-
Amount due to subsidiaries	11,670,936	11,670,936	11,670,936	-	-
* Financial guarantees	-	2,169,922	2,169,922	-	-
	12,094,982	14,264,904	14,264,904	-	-

* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

30.5 Interest rate risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

30. FINANCIAL INSTRUMENTS (Cont'd)

30.5 Interest rate risk (Cont'd)

The interest rate profile of the Group's and of the Company's interest bearing financial instruments based on their carrying amounts as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Fixed rate instruments				
Financial assets	**1,389,377**	4,280,517	**-**	33,882
Financial liabilities	**2,153,277**	2,618,241	**-**	-
Floating rate instruments				
Financial assets	**4,028,723**	3,737,681	**-**	-
Financial liabilities	**-**	2,000,000	**-**	-

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have increased the Group's profit before tax by **RM7,792** (2016: RM3,432) and a corresponding decrease would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

30.6 Foreign currency risk

The objectives of the Group's foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the functional currency of the Group entities. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currencies giving rise to this risk are primarily US Dollar ("USD") and Singapore Dollar ("SGD").

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period is as follows:

	Denominated in		
	USD	**SGD**	**OTHERS**
	RM	**RM**	**RM**
GROUP			
2017			
Trade receivables	**5,210,997**	**784,004**	**-**
Other receivables	**2,167,349**	**-**	**11,584**
Cash and bank balances	**1,185,005**	**3,362,224**	**-**
Trade payables	**(826,663)**	**(591)**	**-**
Other payables	**(621,780)**	**(108,691)**	**-**
	7,114,908	**4,036,946**	**11,584**

30. FINANCIAL INSTRUMENTS (Cont'd)

30.6 Foreign currency risk (Cont'd)

	Denominated in		
	USD RM	SGD RM	OTHERS RM
2016			
Trade receivables	6,662,707	1,342,775	1,093
Other receivables	2,658,879	-	-
Cash and bank balances	1,036,118	4,347,725	22
Trade payables	(1,959,963)	(1,121,574)	-
Other payables	(361,128)	-	(4,167)
	8,036,613	4,568,926	(3,052)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before tax. A 10% strengthening of RM against the following currencies at the end of the reporting period would have (decreased)/increased profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

	GROUP	
	2017 RM	2016 RM
USD	**(711,491)**	(803,661)
SGD	**(403,695)**	(456,893)
Other currencies	**(1,158)**	305
Decrease in profit before tax	**(1,116,334)**	(1,260,249)

30.7 Fair value measurement of financial instruments

The carrying amounts of financial assets and financial liabilities approximate their fair values due to their short-term nature. The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to the insignificant impact of discounting.

30.8 Reconciliation of liabilities arising from financing activities

The movement of financial liabilities arising from financial activities during the financial year is as follows:

	2016 RM	Interest charged RM	Interest paid RM	Cash flows RM	2017 RM
GROUP					
Bankers acceptance	**2,000,000**	**23,226**	**(23,226)**	**(2,000,000)**	**-**
Finance lease liabilities	**2,618,241**	**173,537**	**(173,537)**	**(464,964)**	**2,153,277**
Total liabilities from financing activities	**4,618,241**	**196,763**	**(196,763)**	**(2,464,964)**	**2,153,277**

30. FINANCIAL INSTRUMENTS (Cont'd)

30.8 Reconciliation of liabilities arising from financing activities

	2016 RM	Interest charged RM	Interest paid RM	Cash flows RM	2017 RM
COMPANY					
Total liabilities from financing activities					
Amount due to subsidiaries	**11,670,936**	**-**	**-**	**(287,636)**	**11,383,300**

Pursuant to the transition provisions of the *Amendments to MFRS 107 Statement of Cash Flows*, the Group and the Company need not disclose comparative information for the prior period.

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support their business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year.

There were no external capital requirements and/or covenants imposed on the Group as at the end of the reporting period.

32. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 22 February 2012. The ESOS was implemented on 15 June 2012 and is to be in force for a period of five years from the date of implementation.

The salient features of the ESOS are as follows:

(i) The total number of new ordinary shares which are available to be issued under the ESOS shall not exceed fifteen percent (15%) of the total issued and fully paid-up share capital of the Company at any time.

(ii) Any employee or director of any company comprised in the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is in full-time employment and, has been given notification in writing by the company that he/she is a confirmed employee.

(iii) The option price shall be determined on the 5-day weighted average market price of the Company's shares as quoted on Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the Date of Offer or at par, whichever is higher.

(iv) The new ordinary shares to be issued and allotted upon the exercise of the option will upon allotment and issuance rank pari passu in all respect with the then existing issued and fully paid-up shares of the Company, except that the new ordinary shares so issued will not be entitled for any rights, dividend, allotments and other distributions which may be declared unless the new ordinary shares so allotted have been credited into the relevant securities accounts maintained by Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

32. **EMPLOYEE SHARE OPTION SCHEME ("ESOS") (Cont'd)**

The details of the outstanding share options for ordinary shares granted to the Group's employees and directors and its related exercise price are as follows:

Grant date	Exercise price RM	Number of options over ordinary sharers — Balance at 1.1.17	Exercised	Expired	Balance at 31.12.17
15.6.12	0.10	60,291,000	(57,731,000)	(2,560,000)	-
29.8.14	0.105	9,950,000	(7,275,000)	(2,675,000)	-

The outstanding ESOS as at the end of the reporting period is exercisable at any point of time and the weighted average share price during the financial year is **RM0.10** (2016: RM0.10).

The fair values of the share options granted on 15 June 2012 and 29 August 2014 were RM0.02 and RM0.03 respectively and were estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the Black Scholes model for the ESOS granted:

	15-June-12	29-Aug-14
Weighted average share price (RM)	0.08	0.09
Weighted average exercise price (RM)	0.10	0.10
Expected volatility (%)	30.00	64.85
Risk-free interest rate (% p.a.)	3.21	3.66
Expected life of option (years)	4.44	2.24

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

There were no options granted during the financial year and the ESOS has since expired during the financial year on 14 June 2017.

33. **SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR**

33.1 **Material Litigation**

Luster Industries Bhd. ("Company") *vs.* Citi-Champ International Limited ("Citi-Champ"), How Soong Khong, Yap Yoke Chuan, Yap Kean Kok and Yew Ding Wei ("2nd to 5th Defendants")

On 8 June 2016, the Company received an invitation from a sale agent to bid for 100% equity interest in SS Ventures Ltd. ("SS Ventures"), a company held by Citi-Champ. In response to the invitation, the Company placed a refundable earnest deposit of RM3,000,000 to a legal firm acting as stakeholder for Citi-Champ to express its interest to participate in the bid. The Company paid another refundable earnest deposit of RM3,000,000 to the same legal firm, following the Company's decision to proceed with the final bid for a 10% equity stake in SS Ventures.

On 5 July 2016, the Company signed a Memorandum of Understanding ("MOU") with Citi-Champ whereby it was stated that New Harvest Asia Investment Limited ("New Harvest"), a wholly-owned subsidiary of Citi-Champ, is in the process of acquiring the entire equity interest in SS Ventures. The objective of the MOU is to record the understanding relating to the proposed disposal by Citi-Champ and acquisition by the Company of certain percentage of Citi-Champ's shares in New Harvest for a certain purchase consideration (Proposed Acquisition) to be determined later, subject to a definitive Share Sale Agreement and Shareholders Agreement (if required/applicable) to be entered into between the Company and Citi-Champ. The parties shall endeavour to finalise and mutually agree on the details of the Proposed Acquisition within 6 months from the date of the MOU.

On 1 December 2016, the Company's appointed solicitors wrote to Citi-Champ to inform that the Company has decided to withdraw its interest in SS Ventures and demanded for a full refund of the refundable earnest deposits of RM6,000,000 as there was no progress to the transfer of equity interest in SS Ventures to New Harvest.

33. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (Cont'd)

33.1 Material Litigation (Cont'd)

Citi-Champ refused to make the refund, claiming that the first deposit of RM3,000,000 had been forfeited and that with regards to the second deposit of RM3,000,000, they had incurred a sum of RM4,850,400 to assist the Company in the due diligence/legal verification on SS Ventures, and would claim the difference of RM1,850,400 should the Company insist to claim the refund from them.

On 13 June 2017, the Company had through its solicitors filed a Statement of Claim at the High Court of Malaya at Shah Alam to pursue legal actions against Citi-Champ and the 2nd to 5th Defendants. The claim includes the refund of the total sum of RM6 million to the Company, general damages, exemplary damages and interests on the claim. On 19 June 2017, the Company filed an application for mareva injunction against the 2nd to 5th Defendants. On 31 October 2017, the High Court dismissed the application for mareva injunction, and also dismissed the erinford injunction application made immediately upon the dismissal of the mareva injunction application. On even date, the Company appealed to the Court of Appeal against the High Court's decision in dismissing the mareva injunction application. On 3 November 2017, the Company applied for an erinford injunction pending disposal of its appeal. On 19 December 2017, the Court of Appeal granted an erinford injunction.

On 13 March 2018, the Court of Appeal allowed the Company's appeal and granted a mareva injunction against the respondents.

As at the date of this report, the High Court had fixed the case management on 28 April 2018 and trial dates on 30 May 2018, 31 May 2018, 1 June 2018 and 4 June 2018.

33.2 Agreement between PLSP and Cosmo Property Management Sdn. Bhd. ("Cosmo")

On 10 March 2017, PLSP entered into an agreement with Cosmo to reassign a construction project from Cosmo to PLSP. Prior to this agreement, Cosmo had been awarded the construction project by the developer. Among the key contents of the agreement are:

(i) PLSP shall take over from Cosmo the balance and uncompleted part of the construction project.

(ii) PLSP will be the main contractor of the construction project and it shall reappoint Cosmo as the sub-contractor to complete the construction project.

(iii) As the main contractor, the role of PLSP included among others, to provide supervisory and management services to ensure the completion of the construction project and to provide advancement and/or financial assistance as and when requested by Cosmo in relation to the completion of the construction project.

33.3 Project Financing, Management and Construction Agreement ("PFMCC Agreement")

On 26 May 2017, Luster Venture Sdn. Bhd. ("Luster Venture") entered into a PFMCC Agreement with GDW Mengkuang Sdn. Bhd. ("GDW") to act as the project financing, management and contractor company for the development of a portion of land measuring 225.17 acres in area ("Land") of which the proprietor of the Land is Lembaga Kemajuan Wilayah Pulau Pinang ("PERDA") ("Proposed Development 1") ("Awarded Project"). PERDA had by virtue of a Power of Attorney, granted its subsidiary, Perda Ventures Incorporated Sdn. Bhd. ("PVISB") to deal with the Land on its behalf.

On 19 June 2015, PVISB entered into an agreement with Pembinaan Terus Positif Sdn. Bhd. ("PTPSB") ("PTPSB's Agreement") to develop a portion of the Land, measuring 117.37 acres in area ("Project Land 1").

On 17 November 2015 and 28 March 2017, PVISB entered into an agreement and a variation letter respectively with GDW to develop the Project Land 1 ("GDW's Agreement"). GDW had subsequently obtained all the necessary approvals and permits from the relevant authorities pertaining to the development of Project Land 1 and had on 26 May 2017 entered into the PFMCC Agreement with LVSB.

Pursuant to the execution of the PFMCC Agreement on 26 May 2017, Luster Venture is required to pay PTPSB a sum of RM5,000,000 being the compensation or the agreed consideration for the confirmation by PTPSB that PTPSB's Agreement with PVISB shall be of no effect, in the following manner:

(i) RM3,000,000 after execution of the confirmation that PTPSB's Agreement with PVISB shall be of no effect and shall neither give rise to any claim nor legal action that will encumber the development of the Project Land 1; and
(ii) The balance of RM2,000,000 to be mutually agreed upon by GDW and Luster Venture.

33. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (Cont'd)

33.3 Project Financing, Management and Construction Agreement ("PFMCC Agreement") (Cont'd)

In consideration of Luster Venture being awarded the contract for the financing and management of the development of the Project Land 1 and construction works of the Awarded Project, Luster Venture shall pay to PERDA a sum of RM13,198,480 and/or other payments as stated in the GDW's Agreement, being the landowner's entitlement at such time to be mutually agreed upon by the parties.

Luster Venture shall give a performance bond at the sum equivalent to 5% of the value of the construction work in consideration of Luster Venture being awarded the construction work of the Awarded Project by GDW.

In further consideration of Luster Venture being awarded the contract for the financing and management of the development of the Project Land 1 and construction works of the Awarded Project, Luster Venture shall further pay to GDW an agreed sum of RM6,500,000 as the fixed profits for GDW from the Awarded Project, which shall be payable upon the completion of the Awarded Project, provided that the net profit of the Awarded Project shall not be less than RM25,000,000.

During the financial year, Luster Venture has paid RM13,800,196 towards the Awarded Project which includes a performance bond of RM5,666,445 leaving a balance commitment of RM15,198,000 to be paid (Note 11.3 and 28(ii)).

GDW is related to the Company by way of a director of the Company having substantial financial interest in GDW.

33.4 Joint Venture Agreement ("JVA")

On 2 November 2017, Luster Hijauan Home Sdn. Bhd. ("Luster Hijauan" or "Developer") had entered into a JVA with Enrich Realty Sdn. Bhd. ("ERSB" or "Landowner") to develop a land measuring 3.6725 hectare ("Project Land 2") into commercial or residential or mixed commercial and residential estate on the Project Land 2 ("Proposed Development 2") upon the terms and conditions as stipulated in the JVA ("JV Project").

Prior to the JVA, the Landowner had entered into a joint venture agreement with Marvellous Havana Sdn. Bhd. ("MHSB") on 30 September 2014 ("Previous JVA") to grant the rights of developing the Project Land 2 and an adjacent land to MHSB. Pursuant to the Previous JVA, MHSB has paid the Landowner RM10,000,000 ("Payment") in respect of the development on the Project Land 2.

As MHSB has obtained the planning permission approval of the Project Land 2 and as the date of JVA, MHSB has incurred development expenses of the Project Land 2 amounting to RM10 million ("Development Expenses"), Luster Hijauan is required to reimburse to MHSB.

In consideration of Luster Hijauan agreeing to refund the Payment and Development Expenses to MHSB not later than 12 months from the date of the JVA, MHSB agrees and covenants with Luster Hijauan to cause the Landowner to rescind the Previous JVA with immediate effect.

The Landowner's Entitlement from the Proposed Development 2 shall be a total value of at least RM39,000,000 or up to 22% of the actual Gross Development Value of the Proposed Development 2, whichever is higher ("Landowner's Entitlement"). The balance after deducting the Landowner's Entitlement shall belong absolutely to Luster Hijauan ("Developer's Entitlement").

The Landowner's Entitlement shall be satisfied by way of a Cash Portion and Units Portion in the following manner:

(i) Cash Portion: A sum of RM10,000,000 which has been paid by MHSB to the Landowner shall be deemed to have been transferred/assigned by MHSB to Luster Hijauan and shall be deemed to have been received by the Landowner from Luster Hijauan as payment of the Cash Portion. The Landowner is entitled to forfeit a sum of RM1,000,000 and shall refund the balance of the Cash Portion if the Condition Precedent in the JVA is not met.

(ii) Units Portion: The Landowner is entitled to such number of units of building to be erected within the Proposed Development 2 in accordance with the Landowner's Entitlement after deducting the selected units of buildings equivalent to the Cash Portion, the value of which shall be determined based on the net sales launch price of the selected units.

During the financial year, Luster Hijauan has reimbursed MHSB a sum of RM4,000,000 leaving a balance of RM6,000,000 to be paid (Note 11.3 and 28(ii)).

LIST OF PROPERTIES

Details of properties of the Group are as follows:

	Description	Land Area (M²)	Built-up Area (M²)	Tenure	Date of Acquisition/ Revaluation* (Age of Building)	Carrying Amount @ 31.12.2017 RM
Lot 50 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	9,308	7,591	Leasehold period for 60 years expire on 2042	2001* 35	4,234,842
Plot 36, Jalan PKNK Utama Kawasan Perusahaan Sungai Petani 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	7,426	4,121	Leasehold period for 60 years expire on 2052	2008* 22	5,502,708
Plot 37, Jalan PKNK Utama Kawasan Perusahaan Sungai Petani 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	6,475	2,543	Leasehold period for 60 years expire on 2052	2008* 22	2,057,949
Lot 35 Jalan PKNK Utama Kawasan Perusahaan Sungai Petani 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	7,535	3,345	Leasehold period for 60 years expire on 2052	2008* 13	2,959,620
Lot 36 Jalan PKNK Utama Kawasan Perusahaan Sungai Petani 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	7,616	3,650	Leasehold period for 60 years expire on 2052	2008* 13	12,081,506
Lot 38 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	12,141	9,637	Leasehold period for 60 years expire on 2050	2011* 27	5,477,487
Lot 21 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	693	398	Leasehold period for 60 years expire on 2044	2011* 33	212,874
PN20143 Lot 4859 Mukim Cheng District of Melaka Tengah 75250 Melaka MELAKA	Leasehold Land Factory Building	1,230	1,720	Leasehold period for 99 years expire on 2096	2010* 9	1,379,313
PN19994 Lot 4667 Mukim Cheng District of Melaka Tengah 75250 Melaka MELAKA	Leasehold shophouse	153	153	Leasehold period for 99 years expire on 2096	2010 7	211,484
HSD36462 Lot No. 3901 Mukim of Tanjong Minyak Melaka Tengah 75250 Melaka MELAKA	Freehold Land Factory Building	6,751	4,381	NA	2014 12	4,816,467

ANALYSIS OF SHAREHOLDINGS

AS AT 6 APRIL 2018

The total number of issued shares	:	1,976,035,010 Ordinary Shares
Voting Rights	:	On show of hands - one vote for every shareholder
	:	On poll - One vote for every ordinary share held

ANALYSIS OF SHAREHOLDINGS AS AT 6 APRIL 2018

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	62	1.07	2,361	^
100 to 1,000	309	5.35	121,793	0.01
1,001 to 10,000	940	16.27	6,480,304	0.33
10,001 to 100,000	2,898	50.15	147,998,325	7.49
100,001 to less than 5% of issued shares	1,568	27.14	1,696,567,727	85.85
5% and above of issued shares	1	0.02	124,864,500	6.32
Total	**5,778**	**100.00**	**1,976,035,010**	**100.00**

^ *Negligible*

SUBSTANTIAL SHAREHOLDERS AS AT 6 APRIL 2018

	Number of Shares Held			
Name	**Direct**	**%**	**Deemed**	**%**
Phuah Cheng Peng	124,864,500	6.32	1,500,000®	0.08
Wee Song He, Wilson	133,426,220	6.75	800,000*	0.04

® *Deemed interested in the shares through mother.*
* *Deemed interested in the shares through father.*

DIRECTORS' SHAREHOLDINGS AS AT 6 APRIL 2018

	Number of Shares Held			
Name	**Direct**	**%**	**Deemed**	**%**
Tunku Datin Annie Dakhlah Binti Tuanku Munawir	2,565,000	0.13	-	-
Liang Wooi Gee	24,022,857	1.22	400#	^
Phuah Cheng Peng	124,864,500	6.32	1,500,000®	0.08
Mohamed Shukri Bin Mohamed Zain	100,000	0.01	-	-
Wee Song He, Wilson	133,426,220	6.75	800,000*	0.04
Ahmad Kamal Bin S. Awab	-	-	-	-

^ *Negligible*
# *Deemed interested by virtue of the interest of his spouse in the Company pursuant to Section 59(11)(c) of the Companies Act 2016*
® *Deemed interested in the shares through mother.*
* *Deemed interested in the shares through father.*

ANALYSIS OF SHAREHOLDINGS (Cont'd)

AS AT 6 APRIL 2018

THIRTY LARGEST SHAREHOLDERS AS AT 6 APRIL 2018

NO.	NAME	HOLDINGS	%
1	PHUAH CHENG PENG	124,864,500	6.32
2	WEE SONG HE, WILSON	76,521,220	3.87
3	RESOLUTE ACCOMPLISHMENT SDN. BHD.	74,450,000	3.77
4	CHUAH CHONG EWE	67,595,000	3.42
5	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEE SONG HE WILSON	55,905,000	2.83
6	TANG KIAM HOW	35,850,000	1.81
7	TEH SEONG KIAM	29,700,000	1.50
8	BEH CHENG SIONG	27,600,000	1.40
9	TEOH TIAN WEN	27,162,500	1.37
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA	25,752,600	1.30
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIANG WOOI GEE	23,000,000	1.16
12	RHB NOMINEES (TEMPATAN) SDN BHD KOH KWEE HWA	20,700,000	1.05
13	LIEW SEE KIM	17,575,600	0.89
14	LIM TUAN	17,000,000	0.86
15	TANG BOON HIAP	17,000,000	0.86
16	QUECK HAN TIONG	16,500,000	0.84
17	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR CENTRAL KEDAH PLYWOOD FACTORY SENDIRIAN BERHAD (8793-1501)	16,080,000	0.81
18	GOH HOWA MING	15,886,671	0.80
19	LEE CHEE TONG	13,550,000	0.69
20	LIM SEE MENG	12,000,000	0.61
21	LEE MENG KIAT	11,672,300	0.59
22	CH'NG CHOR WAH	11,629,000	0.59
23	TAN KIM CHEANG	10,903,400	0.55
24	HO PO YUEN	10,000,000	0.51
25	WONG AH KEU @ WONG CHEK NEE	10,000,000	0.51
26	LIEW CHAI YEE	9,952,000	0.50
27	TAN AH BA	9,900,000	0.50
28	TAY SENG CHEW	9,520,000	0.48
29	LOW BOON NGEE	9,200,000	0.47
30	VICTOR CHAI CHENG WAH	8,985,900	0.45
	TOTAL	**816,455,691**	**41.31**

ANALYSIS OF WARRANTS HOLDINGS

AS AT 6 APRIL 2018

Total Number of Warrants A	:	441,594,505
Total Number of Warrants A Outstanding	:	441,594,505
Exercise Price Per Warrants A	:	RM0.10
Exercise Period of Warrants A	:	5 June 2012 to 3 June 2022
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for 1 new LIB share at the Exercise Price during the Exercise Period and shall be subjected to adjustments in accordance with the provisions of the Deed Poll.

ANALYSIS OF WARRANTS A HOLDINGS AS AT 6 APRIL 2018

Size of Warrants	No. of Warrants Holders	% of total Warrants Holders	No. of Warrants	% of total issued capital
Less than 100	71	5.17	3,005	^
100 to 1,000	37	2.70	19,918	0.00
1,001 to 10,000	173	12.60	1,021,964	0.23
10,001 to 100,000	629	45.81	35,096,582	7.95
100,001 to less than 5% of issued warrants	462	33.65	366,153,036	82.92
5% and above of issued warrants	1	0.07	39,300,000	8.90
Total	**1,373**	**100.00**	**441,594,505**	**100.00**

^ *Negligible*

DIRECTOR'S WARRANTS A HOLDINGS AS AT 6 APRIL 2018

	Number of Shares Held			
Name	**Direct**	**%**	**Deemed**	**%**
Liang Wooi Gee	5,714	0.001	-	-
Phuah Cheng Peng	1,500,000	0.340	-	-

ANALYSIS OF
WARRANTS HOLDINGS (Cont'd)

AS AT 6 APRIL 2018

THIRTY LARGEST WARRANTS A HOLDERS AS AT 6 APRIL 2018

NO.	NAME	HOLDINGS	%
1	CHOO AH NGO	39,300,000	8.90
2	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GHIM CHAI	11,000,000	2.49
3	TANG PENG HUAT	8,410,000	1.90
4	LIM GEOK ENG MARY	8,200,000	1.86
5	QUECK HAN TIONG	8,200,000	1.86
6	LIM MENG YEW	7,106,000	1.61
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GEOK ENG MARY	6,400,000	1.45
8	SJC REALTY SDN. BHD.	5,500,000	1.25
9	TAN HAN CHONG	5,500,000	1.25
10	SIM SIEW TUAN	5,209,500	1.18
11	ONG CHAI SI	5,100,000	1.15
12	LOW AH KOU	5,006,700	1.13
13	LIM HOCK AUN	4,500,000	1.02
14	GOH HOWA MING	4,000,042	0.91
15	SHIANGLY BUILDER SDN. BHD.	4,000,000	0.91
16	CH'NG CHOR WAH	3,711,000	0.84
17	CHAN BEE HOON	3,650,000	0.83
18	SIM MUI KHEE	3,600,000	0.82
19	TAN KIM LIANG	3,600,000	0.82
20	CHOO POH TIT	3,500,000	0.79
21	LIT KHEE REALTY SDN BERHAD	3,450,000	0.78
22	GARRY LIM GOH SIAW KEE	2,930,000	0.66
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOO POH TIT (PENANG-CL)	2,800,000	0.63
24	POO AH MOI	2,800,000	0.63
25	STEVE OOI	2,800,000	0.63
26	TANG KONG MENG	2,543,700	0.58
27	LOO EAN CHIN	2,500,000	0.57
28	KHAW SIANG SIANG	2,480,000	0.56
29	OH CHIEW BENG	2,400,000	0.54
30	MOY CHEE KEONG	2,362,700	0.54
	TOTAL	**172,559,642**	**39.09**

ANALYSIS OF WARRANTS HOLDINGS (Cont'd)

AS AT 6 APRIL 2018

Total Number of Warrants B	:	216,000,000
Total Number of Warrants B Outstanding	:	216,000,000
Exercise Price Per Warrants B	:	RM0.10
Exercise Period of Warrants B	:	27 May 2013 to 26 May 2023
Exercise Rights	:	Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for 1 new LIB Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.

ANALYSIS OF WARRANTS B HOLDINGS AS AT 6 APRIL 2018

Size of Warrants	No. of Warrants Holders	% of total Warrants Holders	No. of Warrants	% of total issued capital
Less than 100	0	0.00	0	^
100 to 1,000	40	5.95	30,100	0.01
1,001 to 10,000	34	5.06	248,900	0.12
10,001 to 100,000	312	46.43	18,978,600	8.79
100,001 to less than 5% issued warrants	286	42.56	196,742,400	91.08
5% and above of issued warrants	0	0.00	0	^
Total	**672**	**100.00**	**216,000,000**	**100.00**

^ *Negligible*

THIRTY LARGEST WARRANTS B HOLDERS AS AT 6 APRIL 2018

No.	NAME	HOLDINGS	%
1	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	10,468,900	4.85
2	SJC REALTY SDN. BHD.	8,500,000	3.94
3	CHOO AH NGO	7,522,500	3.48
4	LIT KHEE REALTY SDN BERHAD	6,000,000	2.78
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KOOI HOCK	5,500,000	2.55
6	TAN TIAM YEE	5,100,000	2.36
7	LOW AH KOU	5,017,300	2.32
8	KOH BOON SAI	5,000,000	2.31
9	TAN POH SUAT	3,870,000	1.79
10	LIFETIME LEARNING SDN.BHD.	3,000,000	1.39
11	TAN HUNG CHEW SDN BHD	2,800,000	1.30
12	GOH HOWA MING	2,500,000	1.16
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH LIP KA (E-BPJ)	2,405,000	1.11
14	MOHD ILHAM BIN ZULKIFLI	2,300,500	1.07
15	LIM MENG YEW	2,000,000	0.93
16	TAN KIM LIANG	2,000,000	0.93
17	ONG CHAI SI	1,983,300	0.92
18	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM MOOI FONG	1,885,000	0.87
19	LEE MUN TOONG	1,815,000	0.84
20	TAN MOOI HUA	1,800,000	0.83
21	TAN YU ZHAN	1,800,000	0.83
22	PHANG SEE ONG	1,770,000	0.82
23	YAP SOO LENG	1,750,000	0.81
24	GOH HOWA MING	1,635,800	0.76
25	TANG PENG HUAT	1,550,000	0.72
26	FOONG WAI CHEE	1,535,000	0.71
27	TAN HUNG CHEW	1,500,000	0.69
28	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GHIM CHAI	1,487,700	0.69
29	CHOO KEK KEONG	1,460,000	0.68
30	CHEW GIM EE	1,400,000	0.65
	TOTAL	**97,356,000**	**45.09**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting of the Company will be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Wednesday, 23 May 2018 at 11:00 a.m. for the following purposes:-

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AGENDA

As Ordinary Business:

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **Please refer to Explanatory Note**

2. To approve the payment of Directors' fees and Directors' benefits of RM300,000 for the financial year ending 31 December 2018. **Ordinary Resolution 1**

3. To re-elect Mr Liang Wooi Gee who retires in accordance with the Company's Constitution (Article No. 133 of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016). **Ordinary Resolution 2**

4. To re-elect Mr Phuah Cheng Peng who retires in accordance with the Company's Constitution (Article No. 138 of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016). **Ordinary Resolution 3**

5. To re-elect En. Ahmad Kamal Bin S. Awab who retires in accordance with the Company's Constitution (Article No. 138 of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016). **Ordinary Resolution 4**

6. To re-appoint Messrs Grant Thornton as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS:
To consider and if thought fit, to pass with or without modifications the following as Ordinary Resolutions:-

7. **ORDINARY RESOLUTION**
AUTHORITY TO ISSUE SHARES
"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such 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 issued pursuant to this resolution in any one financial year does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 6**

8. **MANDATE FOR TUNKU DATIN ANNIE DAKHLAH BINTI TUANKU MUNAWIR TO CONTINUE TO ACT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY**
"THAT approval be and is hereby given to Tunku Datin Annie Dakhlah Binti Tuanku Munawir to continue to act as an Independent Non-Executive Director of the Company after the cumulative term of nine (9) years." **Ordinary Resolution 7**

9. **MANDATE FOR EN. MOHAMED SHUKRI BIN MOHAMED ZAIN TO CONTINUE TO ACT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY**
"THAT approval be and is hereby given to En. Mohamed Shukri Bin Mohamed Zain to continue to act as an Independent Non-Executive Director of the Company after the cumulative term of nine (9) years." **Ordinary Resolution 8**

10. To transact any other business of which due notices shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

Chee Wai Hong (BC/C/1470)
Company Secretary
Penang

Date: 30 April 2018

Notes:

1. A Member may appoint up to two (2) proxies [subject to the Company's Constitution (Article 105a of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016)] to attend on the same occasion. A proxy may but need not be a Member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

2. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account its holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.

3. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.

4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Company's Constitution (Article 80(3) of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016) and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 16 May 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

6. All resolutions as set out in this Notice of Annual General Meeting are to be voted by poll.

Explanatory Note on Ordinary Business

Item 1 of the Agenda
To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.

This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Ordinary Resolution 1 – Payment of Directors' fees and Directors' benefits
Ordinary Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2018 and assuming that all Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees and benefits to meet the shortfall.

Explanatory Notes on Special Business

Ordinary Resolution 6 – Authority to issue shares
The proposed Ordinary Resolution 6, if passed, primarily to renew the mandate to give authority to the Board of Directors of the Company to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, the Company has not issued any new shares pursuant to the general authority granted to the Directors at the 30th Annual General Meeting held on 23 May 2017 and which will lapse at the conclusion of the 31st Annual General Meeting to be held on 23 May 2018. A renewal of this authority is being sought at the 31st Annual General Meeting under proposed Ordinary Resolution 6.

The renewal mandate if granted will provide flexibility to the Company for the allotment of shares for the purpose of fund raising activities including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

Ordinary Resolution 7 – Mandate for Tunku Datin Annie Dakhlah Binti Tuanku Munawir to continue to act as an Independent Non-Executive Director of the Company

The proposed Ordinary Resolution 7, if passed, will enable Tunku Datin Annie Dakhlah Binti Tuanku Munawir to continue to act as Independent Non-Executive Director of the Company.

The Nominating Committee and Board of Directors have assessed the independence of Tunku Datin Annie Dakhlah Binti Tuanku Munawir, who has served as an Independent Non-Executive Director of the Company since 9 March 2010 and will reach the nine years term limit on 9 March 2019, and recommended her to continue to act as Independent Non-Executive Director of the Company after the said nine years term based on the following justifications:-

i. She fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, she would be able to function as check and balance, and bring an element of objectivity to the Board.
ii. Her vast experience in the several airlines industry enabled her to provide the Board with a diverse set of experience, expertise and independent judgment.
iii. She devotes sufficient time and attention to her professional obligations for an informed and balanced decision making.
iv. She consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.
v. She has a good and thorough understanding of the main drivers of the business in a detailed manner.

Ordinary Resolution 8 – Mandate for En. Mohamed Shukri Bin Mohamed Zain to continue to act as an Independent Non-Executive Director of the Company

The proposed Ordinary Resolution 8, if passed, will enable En. Mohamed Shukri Bin Mohamed Zain to continue to act as Independent Non-Executive Director of the Company.

The Nominating Committee and Board of Directors have assessed the independence of En. Mohamed Shukri Bin Mohamed Zain, who has served as an Independent Non-Executive Director of the Company since 9 March 2010 and will reach the nine years term limit on 9 March 2019, and recommended him to continue to act as Independent Non-Executive Director of the Company after the said nine years term based on the following justifications:-

i. He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, and bring an element of objectivity to the Board.
ii. His vast experience in the logistics and palm oil industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
iii. He devotes sufficient time and attention to his professional obligations for an informed and balanced decision making.
iv. He consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.
v. He has a good and thorough understanding of the main drivers of the business in a detailed manner.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

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PROXY FORM

CDS Account No.
- -

LUSTER INDUSTRIES BHD.(156148-P)
(Incorporated in Malaysia)

* I / We……
(FULL NAME OF SHAREHOLDERS AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

(NRIC/Passport /Company No.)……………………………………………………) of ....

……
(ADDRESS)

being a * member / members of the abovenamed Company, hereby appoint …………………………………………………………

……
(FULL NAME OF PROXY AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

(NRIC/Passport No.)……………………………………………………) of ……………………………………………………………………

……
(ADDRESS)

or failing him, ……
(FULL NAME OF PROXY AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

(NRIC/Passport No.)……………………………………………………) of ……………………………………………………………………

……
(ADDRESS)

as * my / our proxy to vote for * me / us on * my / our behalf at the 31st Annual General Meeting of the Company to be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Wednesday, 23 May 2018 at 11:00 a.m. and any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	For	Against
1.	To approve the payment of Directors' fees and benefits for the financial year ending 31 December 2018		
2.	To re-elect Mr Liang Wooi Gee as Director		
3.	To re-elect Mr Phuah Cheng Peng as Director		
4.	To re-elect En. Ahmad Kamal Bin S. Awab as Director		
5.	To re-appoint Messrs Grant Thornton as the Company's Auditors		
6.	Authority to issue share		
7.	Mandate for Tunku Datin Annie Dakhlah Binti Tuanku Munawir to continue to act as an Independent Non-Executive Director of the company		
8.	Mandate for En. Mohamed Shukri Bin Mohamed Zain to continue to act as an Independent Non-Executive Director of the company		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction for voting is given, the proxy may vote as he thinks fit.

No. of shares held

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	%
Proxy 1		
Proxy 2		
Total		100

Signed this …………….. day of …………………… , 2018.

…………………………………………………
Signature of Member(s)/Common Seal

Notes:

1. A Member may appoint up to two (2) proxies [subject to the Company's Constitution (Article 105a of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016)] to attend on the same occasion. A proxy may but need not be a Member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account its holds.
   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.
3. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.
4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Company's Constitution (Article 80(3) of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016) and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 16 May 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
6. All resolutions as set out in this Notice of Annual General Meeting are to be voted by poll.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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STAMP

To, The Company Secretary
LUSTER INDUSTRIES BHD. (156148P)
51-13-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

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www.lustergroup.com

LUSTER INDUSTRIES BHD
(156148-P)
Plot 36 & 37 Jalan PKNK Utama,
Kawasan Perusahaan Sungai Petani
08000 Sungai Petani, Kedah Darul Aman, Malaysia.
T : 604-441 7980 **F** : 604-442 8805