LUSTER INDUSTRIES BHD
(156148-P)

ANNUAL REPORT 2013

Committed to Excellence

CONTENTS

CORPORATE INFORMATION

DIRECTORS

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (Independent Non-Executive Chairman)
Lim See Chea (Managing Director)
Liang Wooi Gee (Deputy Managing Director)
Lim See Hua (Executive Director)
Lim See Meng (Executive Director)
Wee Song He, Wilson (Executive Director)
Lau Theng Chim (Independent Non-Executive Director)
Ng Chin Nam (Independent Non-Executive Director)
Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)

Audit Committee

Lau Theng Chim (Chairman)
Mohamed Shukri Bin Mohamed Zain
Ng Chin Nam

Nominating Committee

Mohamed Shukri Bin Mohamed Zain (Chairman)
Lau Theng Chim
Ng Chin Nam

Remuneration Committee

Ng Chin Nam (Chairman)
Lau Theng Chim
Liang Wooi Gee

Risk Management Committee

Lau Theng Chim (Chairman)
Lim See Hua
Liang Wooi Gee
Mohamed Shukri Bin Mohamed Zain
Lim See Meng
Wee Song He, Wilson

Secretaries

Chee Wai Hong
Hing Poe Pyng

Registered Office

51-13-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

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

Zaid Ibrahim & Co.
51-22-B & C Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

Principal Bankers

Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
Alliance Islamic Bank Berhad
Public Bank Berhad
OCBC Bank Berhad
Hwang-Investment Management Berhad

Share Registrar

AGRITEUM Share Registration Services Sdn. Bhd. (578473-T)
2nd Floor Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-2282321
Fax : 04-2272391

Stock Exchange Listing

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

GROUP STRUCTURE

LUSTER INDUSTRIES BHD
(156148-P)

- 100% WINCO PRECISION ENGINEERING (MELAKA) SDN BHD (269790-D)
  - 20% WINCO PRECISION TECHNOLOGIES SDN BHD (271905-X)
- 80% WINCO PRECISION TECHNOLOGIES SDN BHD (271905-X)
- 100% LUSTER PRECISION ENGINEERING SDN BHD (243754-V)
  - 70% LUSTER SEWEON SDN BHD (628869-X)
  - 100% PEMBINAAN LSP JAYA SDN BHD (1081245-U)
- 59.13% EXZONE PLASTICS MANUFACTURERS SDN BHD (71689-U)
  - 100% IMETRON (M) SDN BHD (190692-T)
- 100% LUSTER PLASTIC INDUSTRIES SDN BHD (245695-U)
  - 100% LINPOWER RESOURCES SDN BHD (273055-K)
- 100% LUSTER MANUFACTURING SDN BHD (185405-D)
- 51% LUSTER CHI WO SDN BHD (401840-P)

Note : Luster Electronics (M) Sdn Bhd ("LE") had on 7 November 2012 submitted an application to Suruhanjaya Syarikat Malaysia to strike off the name of LE from the register pursuant to Section 308 of the Companies Act, 1965

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 2013.

Year 2013 has been a very challenging and eventful year for us, one with new business partners and opportunities and continuous improvement in operational efficiency.

The strategy to penetrate into the automotive parts and hygiene products in recent years has been fruitful with the higher revenue achieved in FYE 31 December 2013. The Group had recorded revenue of RM143.5 million in FYE 31 December 2013 as compared to RM98.4 million in FYE 31 December 2012.

The Group recorded a profit before taxation of RM8.8 million in FYE 31 December 2013 as compared to a profit before taxation of RM34.0 million in FYE 31 December 2012. This was mainly due to the waiver of debts and interest amounting to RM35.4 million pursuant to the successful implementation of the Revised Regularisation Plan in FYE 31 December 2012.

STATEMENT FROM THE CHAIRMAN (cont'd)

Corporate event review

During the financial year, the following significant corporate events took place:

1. On 10 January 2013, TA Securities had on behalf of the Board announced that Bank Negara Malaysia had vide its letter dated 7 January 2013 (which was received on 10 January 2013) approved the issuance of the Placement Warrants by LIB to its non-resident shareholders.

2. On 25 February 2013, TA Securities had on behalf of the Board announced that Bursa Securities had vide its letter dated 22 February 2013 approved the Private Placement, subject to certain conditions.

3. On 14 March 2013, Kenanga Investment Bank Berhad ("**KIBB**") had on behalf of the Board announced that an application for LIB to be removed from the classification as a Practice Note 17 ("PN17") company has been submitted to Bursa Securities today.

4. On 15 March 2013, KIBB had on behalf of the Board announced that Bursa Securities had vide its letter dated 15 March 2013 approved the Upliftment Application. The Company will be uplifted from the classification as a PN17 company with effective from 18 March 2013.

5. Our shareholders had at the EGM of the Company held on 18 March 2013 approved amongst others, the Private Placement.

6. On 15 May 2013, on behalf of the Board, TA Securities Holdings Berhad ("TA Securities") is pleased to announce that the Board has fixed the issue price for the placement of 270,000,000 new LIB Shares at RM0.10 per Placement Share.

7. The Board had on 28 May 2013 announced that Luster's additional 270,000,000 new ordinary shares of RM0.10 each issued pursuant to the Private Placement with Warrants will be granted listing and quotation with effect from 9.00 a.m., Thursday, 30 May 2013.

   The Board had on the even date announced that Luster's 216,000,000 Warrants issued pursuant to the Private Placement with Warrants will be admitted to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of the Warrants on the Main Market under the "Industrial Product" sector on a "Ready" basis pursuant to the Rules of Bursa Securities will be granted with effect from 9.00 a.m., Thursday, 30 May 2013.

8. On behalf of the Board, TA Securities had on 30 May 2013 announced that the Private Placement with Warrants has been completed today following the admission of the 216,000,000 Placement Warrants into the Official List and the listing and quotation of the aforesaid Placement Warrants on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of 270,000,000 Placement Shares on the Main Market of Bursa Securities.

9. On 27 June 2013, the Board announced that it has on 26 June 2013 redeemed the full amount of the RM17,904,371.00 Nominal Value of 5% Five (5) Year Redeemable Convertible Secured Loan Stocks ("RCSLS") through the utilisation of the Gross Proceeds pursuant to the Proposed Private Placement with Warrants as stated in the Company's Circular To Shareholders dated 1 March 2013.

Save for the above, no other significant corporate event(s) have taken place.

STATEMENT FROM THE CHAIRMAN (cont'd)

Future Development and Challenges

Notwithstanding the challenging global and domestic economic outlook over the past few years, the Group has been able to maintain its existing major customers. As the Group's products are ultimately exported, the uncertainties of the global economy especially in the European Union, United States of America and Japan, could impact the Group's future business condition to remain challenging in the next twelve months. The Group will carry on with its effort in managing costs and increasing operational efficiency, as well as rationalising its operations in order to stay competitive in the market.

The Group will continue to invest in new technologies to move towards higher value added manufacturing activities for the automotive and medical instruments and devices sectors. Besides, the facilities invested in FYE 2012 which includes, among others, the control and 10K clean room production processes, sputtering process, laser marking process and the Automated Rotary and ABB Robotic Spraying processes, and its investments in vacuum metalizing machine in FYE 2013 enable the Group to offer a different and diverse range of products and services and to provide its customers not only with the high precision and clear plastic parts but also high quality finishing onto the plastic part itself. The Group's position as a significant automotive player is further strengthen with the certification of ISO/TS 16949:2009 in 2013.

Moving forward, apart from the automotive industry, the Group is also looking for opportunities to penetrate into the market of medical and life science. In order to strengthen the position, the Group will target to obtain the ISO 13485 certification in 2015.

The management continues to take steps in differentiating the Group from its competitors in order to command a stronger and leading position in the market. The Board believes that, with the new production facilities, they will position the Group on a better platform to take advantage of the business opportunities in these regions.

The Group had also planned to diversify its revenue sources to reduce the Group's sole dependency on its existing manufacturing business. The Group had explored into construction business in 2014 and may also look into opportunities to diversify into other businesses. The Board believes that the diversification would stabilize the Group's future earnings.

In light of the above developments, the Board expects the Group to deliver better performance in financial year 2014.

Corporate Social Responsibility

LIB has been continuously and consistently emphasised on human resource development among its employees. LIB views its employees as its greatest asset and will continuously organise various trainings and participate in seminars aiming to upgrade their skills and knowledge.

LIB had also participated in Industrial Training Program where students from university and college can apply their theoretical knowledge to actual working environment.

LIB has over the years contributed generously to Kuala Muda Badminton Association to promote badminton sports in Kuala Muda district.

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

BOARD OF DIRECTORS

Standing (From Left to Right) :
Ng Chin Nam (Independent Non-Executive Director), Liang Wooi Gee (Deputy Managing Director),
Wee Song He, Wilson (Executive Director), Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director),
Lim See Meng (Executive Director)

Seated (From Left to Right) :
Lim See Hua (Executive Director), Lim See Chea (Managing Director),
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (Independent Non-Executive Chairman),
Lau Theng Chim (Independent Non-Executive Director)

DIRECTORS' PROFILE

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir, a Malaysian, aged 63, 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.

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. She has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

Lim See Chea

Mr. Lim See Chea, aged 58, a Malaysian, is the founder and Managing Director of Luster. He is the Group Chief Executive Officer. 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. 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 20 years of experience in the industry has been instrumental in the success of Luster Group.

He is currently responsible for the overall strategic direction and management of Luster Group.

Mr Lim See Chea is the brother of Mr Lim See Hua and Mr Lim See Meng. He has no conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

Lim See Hua

Mr. Lim See Hua, aged 65, a Malaysian, was appointed to the Board of Luster as an Executive Director on 15 May 1996, and subsequently appointed as Deputy Managing Director on 31 May 2004. He was redesignated to Executive Director on 28 June 2013.

He graduated from the Technical Teachers Training College, KL in 1970. He was a teacher in Sekolah Sri Perhentian in Johor before he joined Luster to take up the position of Factory Manager in 1992 and subsequently assumed the role of a Director.

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

Mr Lim See Hua is the brother of Mr Lim See Chea and Mr Lim See Meng. He has no conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

DIRECTORS' PROFILE (cont'd)

Liang Wooi Gee

Mr. Liang Wooi Gee, aged 42, 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 involve 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. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

Lau Theng Chim

Mr. Lau Theng Chim, aged 59, a Malaysian, was appointed as an Independent Non-Executive Director on 30 November 2007. He holds a Bachelor of Commerce degree from Deakin University, Australia. He is a member of Malaysia Institute of Accountants, CPA Australia and Chartered Tax Institute of Malaysia.

Upon his graduation from university in 1994, he worked as an accountant in a manufacturing company and subsequently in a public accounting firm. He has vast experience in audit, taxation and accounting.

Mr. Lau Theng Chim is currently the principal of a firm of Chartered Accountants in Malaysia.

Mr. Lau Theng Chim is the Chairman of the Audit Committee and Risk Management Committee. He is also a member of Remuneration Committee and Nominating 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. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

Ng Chin Nam

Mr. Ng Chin Nam, aged 44, a Malaysian, was appointed as an Independent Non-Executive Director on 30 September 2008. He has over 20 years of experiences in the field of accounting, auditing, taxation and corporate finance. He started his career in the commercial sector in 1992. After obtaining his professional qualification in Chartered Institute of Management Accountants (CIMA), he joined an international accounting firm in 1997 and was promoted as assistant audit manager. He left the auditing sector in year 2000 and held the position of finance manager in a public listed company until year 2005. In 2007, he left to assume the role as head of MIS, human resources and finance in another listed company.

Mr. Ng is currently an executive director of SMPC Corporation Bhd. He is also an Independent Non-Executive Director of Niche Capital Emas Holdings Berhad and Asia File Corporation Bhd.

He is the Chairman of Remuneration Committee and a member of the Audit Committee and Nominating 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. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

DIRECTORS' PROFILE (cont'd)

Mohamed Shukri Bin Mohamed Zain

Mohamed Shukri Bin Mohamed Zain, a Malaysian, aged 49, 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. In 2006, he was appointed as the Director and Chief Executive Officer of Kosmo Resources.

He is the Chairman of Nominating Committee and a member of the Audit Committee and 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. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

Lim See Meng

Lim See Meng, aged 60, a Malaysian, is appointed as an Executive Director of Luster Industries Bhd on 12 June 2012. 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 Exzone Plastics Manufacturers Sdn Bhd ("EPM") as Director and became a minority shareholder in 1987. From 1987 to 2009, he was in charge of the overall operations of EPM. He was appointed as Managing Director of EPM in 2009. During the same year, he became a major shareholder of EPM, holding 46.4% of the equity interest in EPM, equivalent to RM6.3 million of capital. 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.

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

Mr Lim See Meng is the brother of Lim See Chea and Lim See Hua. He has no conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

Wee Song He, Wilson

Wee Song He, Wilson, aged 34, a Singaporean, is 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. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

Notwithstanding the challenging global and domestic economic outlook over the past few years, the Group achieved a profit before taxation ("PBT") of RM8.8 million in FYE 31 December 2013 compared to loss before taxation ("LBT") of RM6.9 million in FYE 31 December 2009. The Group managed to reduce its LBT from RM19.6 million in FYE 31 December 2008 to RM6.9 million in FYE 31 December 2009 after streamlining its business operations and disposing of its non-core operations. In FYE 31 December 2010, the Group incurred LBT of RM20.1 million compared to RM6.9 million in FYE 31 December 2009. This was largely due to one-off items which have been expensed in the FYE 31 December 2010 such as additional raw materials required for the initial development and testing of new products, labour costs for new foreign workers and impairment loss. However, the operation has since been stabilised and the LBT was reduced to RM6.5 million in FYE 31 December 2011. Subsequent to the corporate exercise involving the acquisition of Exzone Plastics Manufacturers Sdn. Bhd., Imetron (M) Sdn. Bhd., Winco Precision Engineering (Melaka) Sdn. Bhd. and Winco Precision Technologies Sdn. Bhd., the Group has recorded a PBT of RM34.0 million in FYE 31 December 2012 as compared to LBT of RM6.5 million in FYE 31 December 2011. The substantial increase in PBT was mainly due to the waiver of debts and interest of RM35.4 million pursuant to the successful implementation of the Proposed Revised Regularisation Plan and the positive contributions from Exzone and Winco. In FYE 31 December 2013, the Group recorded PBT of RM8.8 million compared to RM34.0 million in FYE 31 December 2012. This is mainly due to the waiver of debts and interests abovementioned in previous financial year.

The Company has, amongst others, consolidated and streamlined its operations since 2008 in order to optimise the utilisation of its resources and re-focus its business operations on its core business. Non-core business activities and investments which did not generate the required results were either disposed off or ceased. This has resulted in the drop of revenue since 2009. With the acquisition of the new subsidiaries as stated above, the Group's revenue had increased by 127.3% from RM43.3 million in FYE 31 December 2011 to RM98.4 million in FYE 31 December 2012. The Group's revenue continue to increase to RM143.5 million in FYE 31 December 2013 mainly due to higher sales from high value added manufacturing activities for the automotive parts and hygiene products.

The disposal of non-core assets and divestment strategy taken since 2008 has contributed to the decline in total assets. However, the total assets have increased to RM177.5 million in 2013 mainly due to the successful implementation of the Revised Regularisation Plan in FYE 31 December 2012 and increase in investments in enhancing the property, plant and equipment in FYE 31 December 2013.

The Board expects that the Group will be able to deliver better results in the near future.

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

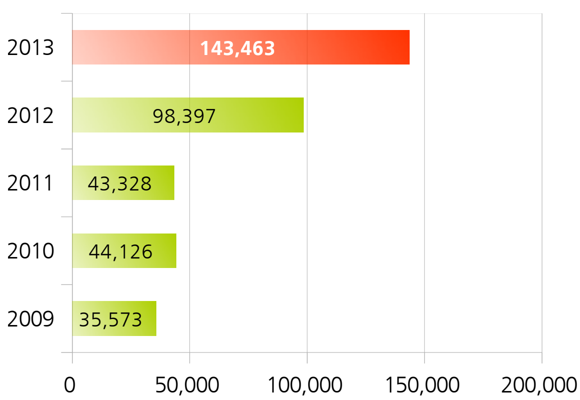
FINANCIAL HIGHLIGHTS

Five Years Financial Highlights

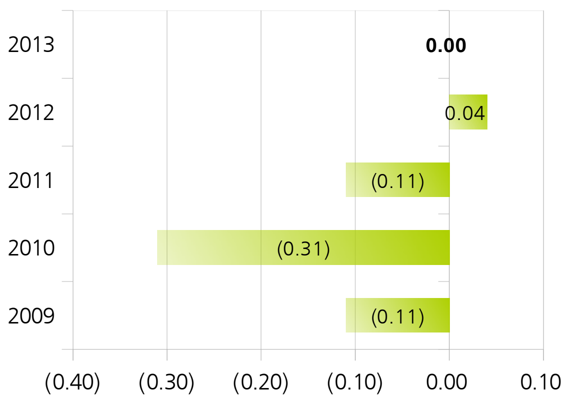
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Revenue	35,573	44,126	43,328	98,397	**143,463**
(Loss)/Profit Before Taxation	(6,901)	(20,109)	(6,511)	34,037	**8,817**
(Loss)/Profit After Taxation	(6,939)	(18,848)	(6,495)	31,760	**5,509**
(Loss)/Profit After Taxation and Non-Controlling Interest	(6,939)	(18,848)	(6,495)	30,226	**3,092**
Paid-up Capital	61,183	61,183	61,183	108,801	**138,693**
Total Assets	117,611	58,469	57,491	160,958	**177,500**
Shareholders Fund	(728)	(19,681)	(26,168)	107,177	**140,368**
Basic Profit/(Loss) Per Share (RM)	(0.11)	(0.31)	(0.11)	0.04	**-**
Net Assets Per Share (RM)*	(0.01)	(0.32)	(0.43)	0.10	**0.10**

**Ordinary shares of RM1 each (2008 to 2011)/ RM0.10 each (2012 and 2013)*

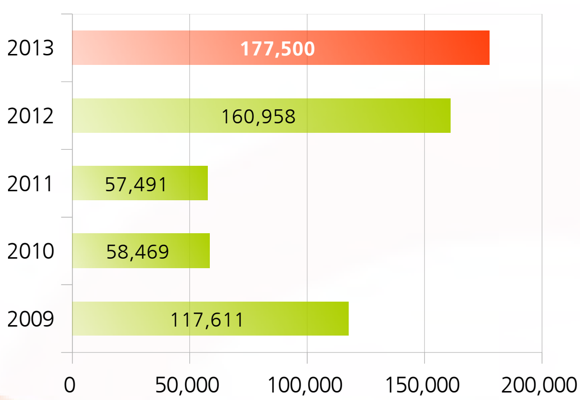
Revenue (RM'000)



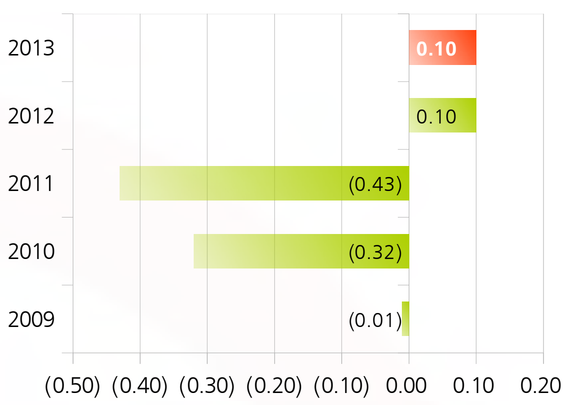
Basic Profit/(Loss) Per Share (RM)



Total Assets (RM'000)



Net Assets Per Share (RM)



STATEMENT ON CORPORATE GOVERNANCE

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 recommendation of the Malaysian Code on Corporate Governance 2012 ("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 and best practices set out in the Code.

PRINCIPLES STATEMENT
The following statement sets out how the Company has applied the Principles and the recommendations on corporate governance and the extent to which it has complied with the recommendations set out in the Code.

A. Board of Directors

Board roles and responsibilities
The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term interest of all stakeholders. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board delegates the overall operations of the Group to the management team led by the Group Managing Director (GMD), who have vast experience in the business of the Group. The Executive Directors are responsible for the overall management of the Group, ensuring that strategies, policies and matters set by the Board are effectively implemented.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority. The Chairman is responsible for ensuring Board's effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organizational effectiveness and implementation of Board's policies and decisions.

Board Balance
At the date of this statement, the Board consists of nine (9) members, comprising five (5) Executive Directors and four (4) Independent Non-Executive Directors within the meaning of Chapter 1.01 of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

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. A brief profile of each Director is presented on pages 8 to 10 of this Annual Report.

Appointments to the Board
The Nominating Committee shall be responsible for making recommendation for any appointments to the Board. Further details on the Nominating Committee are set out on page 16 of this Annual Report.

Re-election of Directors
The Articles of Association of the Company provides that at least one-third of the Directors for the time being, including the Managing Director, are subject to retirement by rotation at each Annual General Meeting ("AGM") if their number is not three (3) or a 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. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of AGM.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

A. Board of Directors (cont'd)

Directors' Training

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

In January 2013, Mr Ng Chin Nam and Mr Lau Theng Chim have attended the seminar on "MFRS/IFRS guide for Audit Committees, Independent Directors & Internal Auditors".

In March 2013, Mr Ng Chin Nam has attended the seminar on "Sustainability Training for Directors and Practitioners". Mr Lau Theng Chim has attended the seminar on "Presentation of Financial Statements and Disclosure Requirements of IFRS/MFRS". All Directors have attended a training provided by an external training provider on "Malaysian Code on Corporate Governance 2012 & Latest updates on Listing Requirements of Bursa Malaysia & Guidelines on Statement of Risk Management & Internal Control by the Institute of Internal Auditors Malaysia" in March 2013.

In April 2013, Mr Lau Theng Chim has attended the seminar on "Audit Strategy".

In May 2013, Mr Lau Theng Chim has attended seminars on "Auditors and Fraud – Auditor's Resposibility Considering Fraud in Audit", "Updates of Company Secretarial Practices and Related Issues Under The Companies Act 1965" and "Optimising Corporate Tax Planning Strategies".

In June 2013, Mr Lau Theng Chim has attended the seminar on "National Tax Conference 2013".

In July 2013, Mr Lau Theng Chim has attended the seminar on "Corporate Financial Reporting Standards (Module 2). Mr Lim See Chea, Mr Liang Wooi Gee, Mr Lim See Hua, Mr Lim See Meng and Mr Wee Song He, Wilson has attended the seminar on "Enterprise Risk Management Workshop" in July 2013.

In September 2013, Mr Lau Theng Chim has attended seminar on "Best Prctices in the Presentation of Financial Statements & Annual Reports".

In October 2013, Mr Lau Theng Chim has attended seminar on "Audit Documentation – for ISA Compliance".

In November 2013, Mr Lau Theng Chim has attended seminar on "Seminar Percukaian Kebangsaan 2013".

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.

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.

Board Meetings

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. 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. Going forward, the Board will deliberate on strategic issues concerning the Group. The Directors are provided with an agenda on matters requiring their consideration, issued before each meeting. During the meetings, the Board is briefed by the relevant Executive Directors and, where appropriate, board papers, which cover mainly financial information, are made available to Directors. This enables the Directors to obtain further explanations where necessary. All proceedings of Board meetings are recorded by way of minutes, which are signed by the Chairman of the meeting.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

A. Board of Directors (cont'd)

Board Meetings (cont'd)

The attendance of the Directors who held office during the financial year ended 31 December 2013 is set out below:

Name	No. of meetings held and attended by Directors
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (Independent Non-Executive Chairman)	6/6
Lim See Chea (Managing Director)	6/6
Lim See Hua (Deputy Managing Director)	6/6
Liang Wooi Gee (Executive Director)	6/6
Lim See Meng (Executive Director)	6/6
Wee Song He, Wilson (Executive Director)	6/6
Lau Theng Chim (Independent Non-Executive Director)	6/6
Ng Chin Nam (Independent Non-Executive Director)	6/6
Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)	5/6

Supply of Information
The Board and the respective Board Committees are furnished with Board papers and reports providing updates on financial, operational and corporate plans, developments and results prior to Board or respective Board Committees meetings to facilitate informed discussion and decision-making.

The Directors also have 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 Directors review and approve all corporate announcements, including the announcement of the quarterly financial reports, before releasing them to Bursa Securities.

From time to time, the Board as a whole determines, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

Board Committees
The following Committees have been established to assist the Board in the execution of its responsibilities. The Committees have written terms of reference which have been approved by the Board and set out their authority and duties. The Chairman of the various Committees reports the outcomes of their committee meetings to the Board. The reports and deliberations are incorporated into the minutes of the Board meetings.

a) 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 and a copy of the minutes of meeting is distributed to all Directors.

The Audit Committee consists of three (3) Directors, all of whom are Independent Non-Executive Directors. The terms of reference and the activities of the Audit Committee during the financial year are presented under the Audit Committee Report on pages 21 to 23 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

A. Board of Directors (cont'd)

Board Committees (cont'd)

b) Nominating Committee

The Nominating Committee comprises the following members:

Chairman	:	Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)
Members	:	Lau Theng Chim (Independent Non-Executive Director)
		Ng Chin Nam (Independent Non-Executive Director)

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 and its Committees.
- 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.

During the financial year ended 31 December 2013, One (1) Nominating Committee meeting was held. During the year, the Nominating Committee had reviewed and assessed the mix of skills and experience and size of the Board, contribution of Directors and effectiveness of the Board and Board Committees, and also reviewed the retirement of Directors by rotation eligible for re-election.

c) Remuneration Committee

The Remuneration Committee comprises the following members:

Chairman	:	Ng Chin Nam (Independent Non-Executive Director)
Members	:	Lau Theng Chim (Independent Non-Executive Director)
		Liang Wooi Gee (Executive Director)

The Remuneration Committee is responsible for recommending to the Board, the remuneration of Executive Directors and Non-Executive Directors of the Company in all its forms. The Executive Directors concerned play no part in the decision of their own remuneration but may attend the committee meetings at the invitation of the Chairman of the Remuneration Committee if their presence are required. The determination of remuneration of the Independent Non-Executive Directors is a matter for the Board, as a whole, with individual Director abstaining from discussion of their own remuneration.

During the financial year ended 31 December 2013, One (1) Remuneration Committee meeting was held.

d) Risk Management Committee

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

Chairman	:	Lau Theng Chim (Independent Non-Executive Director)
Members	:	Lim See Hua (Deputy Managing Director)
		Liang Wooi Gee (Executive Director)
		Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)
		Lim See Meng (Executive Director)
		Wee Song He, Wilson (Executive Director)

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 Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

B. Directors' Remuneration

The remuneration of Executive Directors is structured based on their responsibilities and contribution 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 Company pays its Directors annual fees that are approved annually by shareholders at the AGM.

A summary of the remuneration of Directors for the financial year ended 31 December 2013 is as follows:

	Fees RM	Salaries RM	Bonus RM	Other emoluments RM	Total RM
Executive Directors	168,000	996,912	71,176	213,396	1,449,484
Non-Executive Directors	132,000	-	-	-	132,000

The number of Directors of the Company whose total remuneration falls into the following bands for the financial year ended 31 December 2013 is tabulated below:

Range of remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	1	-
RM200,001 to RM250,000	1	-
RM250,001 to RM300,000	2	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	1	-

C. Shareholders

The Board acknowledges that shareholders should be informed of all material business matters, which influence the Group. Timely release of quarterly financial results to Bursa Securities and other information and corporate actions taken by the Group that warrant an announcement to Bursa Securities under the Listing Requirements provide shareholders with an up to date overview of the performance and strategies of the Group.

Whilst the Annual Report gives shareholders a quick run through of the financial and operational performance of the Group, the AGM and Extraordinary General Meeting provide a opportunity for shareholders to seek more information on the audited financial statements and operational matters. The Company also maintains an official web site at www.lustergroup.com for which the public can access for background information of the Group and Company.

In addition, shareholders and investors are able to access to the latest corporate, financial and market information of the Group via Bursa Securities website at www.bursamalaysia.com.

The Company is guided by the Bursa Securities Listing Requirements in regards to the Corporate Disclosure policy.

In order to strengthen corporate governance practices across the Group, a whistle-blowing policy was established to provide employee with accessible avenue to report suspected fraud, corruption, dishonest practices or similar matters.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

C. Shareholders (cont'd)

The Group welcomes inquiries and feedbacks from shareholders and other stakeholders. All queries and concerns regarding the Group may be conveyed to any of the following personnel:

Lim See Chea
Group Chief Executive Officer
Contact: 604-441 7980 Ext. 228
Email: sclim@luster.com.my

Liang Wooi Gee
Group Chief Financial Officer
Contact: 604-441 7980 Ext. 109
Email: wgliang@luster.com.my

D. Accountability and Audit

Financial Reporting and Disclosure
The Board aims to present a balanced, clear and meaningful assessment of the Group's financial performance and prospects primarily through the annual financial statements and quarterly announcement of results to shareholders, as well as the Chairman's Statement in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

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 applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 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.

Internal Control
The Statement on Risk Management and Internal Control furnished on pages 19 to 20 of this Annual Report provides an overview of the state of risk management and internal controls within the Group during the financial year under review.

Relationship with Auditors
The key features outlining the relationship of the Audit Committee with both the external and internal auditors are included in the Audit Committee's terms of reference presented under Audit Committee Report on pages 21 to 23 of this Annual Report. A summary of the activities of the Audit Committee during the financial year are set out in the Audit Committee Report on pages 21 to 23 of this Annual Report.

RELATED PARTY TRANSACTIONS
The Audit Committee reviews and monitors all related party transactions on a quarterly basis and reports for action by the Board where necessary.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 28 April 2014 .

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to provide the following Statement on Risk Management and Internal Control ("the Statement"), which is produced pursuant to Paragraph 15.23 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the Group's state of internal control during the financial year.

Responsibility
The Board affirms that it is ultimately responsible in ensuring adequacy and integrity of the Group's system 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, organisational, 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.

Risk Management
The Risk Management Committee ("RMC") was formed since 20 May 2009 and the Risk Management Framework has since been established. The RMC meets 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 recognises 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, the Board 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 (RPT) 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 RPT is reported to the Audit Committee during the quarterly meetings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

Other Risks and Control Processes

The Group has also in place an organisational 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 the validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

The 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 2013 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 Executive Officer and 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 is made in accordance with a resolution of the Board of Directors dated 28 April 2014.

AUDIT COMMITTEE REPORT

Objective

The principal objective of the Audit Committee 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 : Lau Theng Chim, *Independent Non-Executive Director*

Member : Ng Chin Nam, *Independent Non-Executive Director*

Mohamed Shukri Bin Mohamed Zain, *Independent Non-Executive Director*

Meetings

During the financial year ended 31 December 2013, five (5) 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
Lau Theng Chim (Chairman)	5/5
Ng Chin Nam	5/5
Mohamed Shukri Bin Mohamed Zain	4/5

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 Activities of the Committee

The Committee carried out its duties in accordance with its terms of reference, with the following main activities undertaken:

- 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, 1965, Listing Requirements of Bursa Securities, applicable Financial Reporting Standards and other legal and regulatory requirements prior to the submission to the Board for approval;
- 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;
- reviewed the Audit Committee Report, Corporate Governance Statement and Statement of Internal Control for the financial year and recommended its adoption to the Board;
- reviewed the external auditors' audit plan and scope of audit for the financial year ended 31 December 2013;
- met with the external auditors twice (2) during the financial year ended 31 December 2013 without the presence of any executive Board members;
- reviewed and discussed with external auditors on their audit plan and scope of works for the year as well as the audit procedures to be utilised;
- reviewed Internal Audit Plan for 2013 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; and
- reviewed any related party transactions and conflict of interests situation that may arise within the Group.

Internal Audit Function

The internal audit function 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.

AUDIT COMMITTEE REPORT (cont'd)

Internal Audit Function (cont'd)
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 RM57,950.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 19 to 20 of this Annual Report.

Composition of the Audit Committee

An Audit Committee shall be appointed by the Board from among their numbers (pursuant to a resolution of the Board of Directors) and shall fulfil the following requirements: -

(a) The Audit Committee must be composed of not less than three (3) members;

(b) All Audit Committee must be non-executive directors and a majority of the Audit Committee must be independent Directors; and

(c) At least one (1) member of the Audit Committee:-

   (i) must be a member of the Malaysian Institute of Accountants; or

   (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-

   - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
   - he must be a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

   (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

(d) Alternate Director is not allowed to become a member of the Audit Committee. The Committee shall elect a chairman from among its members who shall be an independent Director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of (a), (b) and (c) above, the Board must fill the vacancy within three (3) months of that event.

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

Meetings
The Audit Committee shall hold at least four (4) regular meetings per year and such additional meetings as the Chairman of the Audit Committee shall decide in order to fulfil its duties. In addition, the Chairman of the Audit Committee may call for a meeting of the Audit Committee if a request is made by any member of the Audit Committee or the Board, or the internal or external auditors.

The quorum for a meeting of the Committee shall be two (2) members, majority of whom must be independent Directors.

The Company Secretary shall be the Secretary of the Audit Committee.

The Company shall ensure that the attendance of the other Directors and employees of the Company at any particular Audit Committee meeting is only at the Audit Committee's invitation and is specific to the relevant meeting.

The Audit Committee shall regulate its own procedure, in particular, the calling of meetings, the notice and agenda to be given of such meetings, the voting and proceeding of such meetings, the keeping of minutes and the custody, production and inspection of such minutes.

The Company Secretary who acts as Secretary of the Committee shall circulate the minutes of each meeting to all members of the Board.

AUDIT COMMITTEE REPORT (cont'd)

Duties and Responsibilities

The duties and responsibilities of the Committee shall be:

- To review the Company's and the Group's quarterly results and annual financial statement before submission to the Board, focusing on:
  - o Any changes in or implementation of accounting policies and practices;
  - o Major judgment areas;
  - o Significant adjustments proposed by the external auditors;
  - o Going concern assumption;
  - o Compliance with accounting standards;
  - o Compliance with stock exchange and legal requirements; and
  - o Significant and unusual events
- To review with the external auditors their audit plan, scope and nature of audit for the Company and the Group, their evaluation of the system of internal control, their audit report, their management letter and management's response and the assistance given by the Company's employees to the external auditors;
- To assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group;
- To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- To perform the following, in relation to the internal audit function:
  - o Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - o Review the internal audit programme and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function;
  - o Review the internal audit plan, consider the major findings of the internal audits, internal or fraud investigations and actions and steps taken by management in response to audit findings;
  - o Review any appraisal or assessment of the performance of members of the internal audit function;
  - o Approve any appointment or termination of senior staff members of the internal audit function; and
  - o Take cognisance of resignations/transfer of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- To review any related parties transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions or management integrity;
- To consider the appointment of the external auditors and to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment, to consider the nomination of a person or persons as external auditors and the audit fees, the terms of reference of their appointment, and any question of resignation or dismissal;
- To verify the allocation of option granted pursuant to Employee Share Option Scheme;
- To report to the Board its activities, significant results and findings;
- To promptly report such matter to the Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation; and
- To undertake any such responsibilities as may be agreed by the Committee and the Board.

Authority

The Audit Committee should:

- Have authority to investigate any activity within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to all information, documents and officers of the Company and the Group for the purpose of discharging its functions and responsibilities;
- Have direct communications channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- Be able to obtain outside legal or other independent professional advice as it considers necessary at the expense of the Company; and
- Be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

OTHER INFORMATION

1) Non-Audit Fees

During the financial year, the non-audit fees paid to the external auditors of the Group was RM57,100.

2) Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature for the year ended 31 December 2013

Details of transactions with Related Party undertaken by the Group during the financial year are disclosed in Note 30 to the Financial Statements.

3) Employees' Share Option Scheme ("ESOS")

The Company's ESOS was approved at an Extraordinary General Meeting ("EGM") held on 22 February 2012. During the financial year ended 31 December 2013, no offers was made to employees, the details of which are as below:

Grant date	Expiry date	Exercise Price RM/share	Outstanding as at 01.01.2013 ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	Outstanding as at 31.12.2013 ('000)
15.06.2012	07.06.2012	0.10	116,839	-	(28,918)	(3,697)	84,224

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 1,000,000 options were exercised during the financial year ended 31 December 2013. A total of 30,000,000 options are still outstanding for the Directors.

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	-
Lau Theng Chim (Independent Non-Executive Director)	3,000	-
Ng Chin Nam (Independent Non-Executive Director)	3,000	-
Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)	3,000	-

4) Utilisation of Proceeds

On 30 May 2013, the Company had issued 270,000,000 new ordinary shares of RM0.10 each together with 216,000,000 free detachable warrants and the utilization of the proceeds raised from the said issuance are properly described in Page 66 of this Annual Report.

5) Share Buy-Back

The Company did not have a share buy-back programme in place during the financial year.

6) Options or Warrants

The Company had on 30 May 2013 issued 216,000,000 warrants, the details of which are properly described in Page 69 of this Annual Report.

7) American Depository Receipt ("ADR") or Global Depository Receipt Programme ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

OTHER INFORMATION (cont'd)

8) Imposition or Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

9) Variation in Results

There was no significant variance between the results for the financial year and the unaudited results previously announced.

10) Profit Guarantee

During the financial year, there were no profit guarantees given by the Company or its subsidiary companies.

11) Material Contracts involving Directors and Major Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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 2013**.

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 taxation for the year	**5,509,447**	**(2,864,916)**
Attributable to :		
Owners of the parent	**3,091,523**	**(2,864,916)**
Non-controlling interests	**2,417,924**	**-**
	5,509,447	**(2,864,916)**

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2013** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIVIDENDS

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

The Company is not in a position to pay any dividend in view of the current year loss and the accumulated losses as at the end of the reporting period.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the notes to the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company had increased its issued and paid-up capital from RM108,801,201 to RM138,693,051 by:

(i) issuance of up to 270,000,000 new ordinary shares of RM0.10 each ("Placement Shares") together with 216,000,000 free detachable warrants via a Private Placement with Warrants exercise. The proceeds received from this exercise were utilised for the Group's working capital, to redeem all outstanding Redeemable Cumulative Secured Loan Stocks and to defray expenses incurred for this exercise; and

(ii) the allotment of 28,918,500 new ordinary shares of RM0.10 each at an exercise price of RM0.10 each per share for cash pursuant to the Employee Share Option Scheme.

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 or debenture and did not grant any option to anyone to take up unissued shares of the Company.

DIRECTORS' REPORT (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

WARRANTS

Pursuant to the Private Placement with Warrants exercise, the Company has issued 216,000,000 free detachable warrants ("Warrants B") on the basis of four Warrants B for every five Placement Shares.

The salient features of the Warrants B are set out in Note 16(b)(ii) to the financial statements.

REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS ("RCSLS")

During the financial year, the Company has redeemed all outstanding RCSLS from the financial institution creditors, using the proceeds received from the Private Placement with Warrants.

Further information on RCSLS is set out in Note 15 to the financial statements.

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, and the ESOS will be in force for duration of five years expiring 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 Share Options				
Grant date	Exercise price RM	Balance at 1.1.13	Granted and Accepted	Exercised	Resigned	Balance at 31.12.13
15.6.12	0.10	116,839,000	-	(28,918,500)	(3,697,000)	84,223,500

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of the option holders, other than directors, who have been granted options during the financial year and details of their holdings as required by Section 169(11) of the Companies Act, 1965. The information has been separately filed with the Companies Commission of Malaysia.

The salient features of the ESOS are set out in Note 35 to the financial statements.

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:

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir
Lim See Chea
Liang Wooi Gee
Lim See Hua
Lim See Meng
Wee Song He, Wilson
Lau Theng Chim
Ng Chin Nam
Mohamed Shukri Bin Mohamed Zain

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.10 each			
	Balance at 1.1.13	**Bought**	**Sold**	**Balance at 31.12.13**
The Company				
Direct Interest:				
Lim See Chea	77,488,857	-	(10,000,000)	67,488,857
Liang Wooi Gee	22,857	10,000,000	-	10,022,857
Lim See Hua	4,330,450	-	(2,000,000)	2,330,450
Lim See Meng	109,929,100	-	(26,569,700)	83,359,400
Wee Song He, Wilson	156,500,000	1,000,000	(2,100,000)	155,400,000
Ng Chin Nam	42,296	-	(42,200)	96
* **Deemed Interest:**				
Lim See Chea	4,513,885	-	-	4,513,885
# **Other Interest:**				
Lim See Chea	125,000	125,000	(125,000)	125,000
Liang Wooi Gee	400	-	-	400
Lim See Meng	3,800	125,000	-	128,800

	Number of 0% Irredeemable Convertible Unsecured Loan Stocks of RM0.10 each			
	Balance at 1.1.13	**Bought**	**Sold**	**Balance at 31.12.13**
The Company				
Direct Interest:				
Lim See Chea	-	64,812,600	-	64,812,600
Lim See Meng	68,303,100	-	-	68,303,100
Wee Song He, Wilson	90,310,000	-	(90,310,000)	-
# **Other Interest:**				
Lim See Meng	2,300	-	-	2,300

	Number of Warrants A			
	Balance at 1.1.13	**Bought**	**Sold**	**Balance at 31.12.13**
The Company				
Direct Interest:				
Lim See Chea	149,714	-	-	149,714
Liang Wooi Gee	5,714	-	-	5,714
Lim See Hua	832,612	-	-	832,612
Ng Chin Nam	12,592	-	(12,500)	92
* **Deemed Interest:**				
Lim See Chea	20,350,970	-	(18,000,000)	2,350,970

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

DIRECTORS' INTERESTS (cont'd)

	|---------- Number of options over ordinary shares of RM0.10 each ----------|			
	Balance at 1.1.13	**Granted and accepted**	**Exercised**	**Balance at 31.12.13**
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir	4,000,000	-	-	4,000,000
Lim See Chea	5,000,000	-	-	5,000,000
Liang Wooi Gee	4,000,000	-	-	4,000,000
Lim See Hua	3,000,000	-	-	3,000,000
Lim See Meng	3,000,000	-	-	3,000,000
Wee Song He, Wilson	3,000,000	-	(1,000,000)	2,000,000
Lau Teng Chim	3,000,000	-	-	3,000,000
Ng Chin Nam	3,000,000	-	-	3,000,000
Mohamed Shukri Bin Mohamed Zain	3,000,000	-	-	3,000,000

Note:
* Indirect interests pursuant to Section 6(A) of the Companies Act, 1965.
\# Indirect interests pursuant to Section 134(2)(c) of the Companies Act, 1965.

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.

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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 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 allowance for doubtful debts in the financial statements of the Group and of 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

DIRECTORS' REPORT (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

OTHER STATUTORY INFORMATION (cont'd)

(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.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

EVENT AFTER THE REPORTING PERIOD

Event after the reporting period is disclosed in Note 36 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors:

....	....
Lim See Chea	**Liang Wooi Gee**

Penang,

Date: 28 April 2014

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 34 to 91 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2013** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out in Note 37 on page 92 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors:

....
Lim See Chea

....
Liang Wooi Gee

Date: 28 April 2014

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 34 to 92 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 **28th**)
day of **April 2014**.)

....
Liang Wooi Gee

Before me,

....
GOH SUAN BEE (P125)
Commissioner for Oaths
Penang

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the financial statements of **Luster Industries Bhd.**, which comprise the statements of financial position as at **31 December 2013** of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 91.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2013** and of their financial performance and 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, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements,

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

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated In Malaysia)

Other Reporting Responsibilities

The supplementary information set out in Note 37, on page 92 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Grant Thornton
No. AF: 0042
Chartered Accountants

Yap Soon Hin
No. 947/03/15 (J)
Chartered Accountant

Penang

Date: 28 April 2014

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

		GROUP		COMPANY	
		2013	2012	**2013**	2012
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**73,653,023**	67,258,769	**10,781,390**	11,290,259
Investment in subsidiaries	**5**	**-**	-	**135,669,865**	54,717,403
Goodwill on consolidation	**6**	**20,729,268**	20,729,268	**-**	-
		94,382,291	87,988,037	**146,451,255**	66,007,662
Current assets					
Inventories	**7**	**13,204,075**	10,902,036	**-**	-
Trade receivables	**8**	**31,736,092**	34,715,278	**-**	-
Other receivables, deposits and prepayments	**9**	**3,765,752**	3,902,364	**375,480**	375,480
Amount due from subsidiaries	**10**	**-**	-	**1,500,566**	70,768,197
Tax recoverable		**112,581**	244,847	**-**	-
Fixed deposits with licensed banks	**11**	**4,859,293**	3,966,016	**29,900**	29,900
Cash and bank balances	**12**	**29,440,104**	19,239,542	**518,057**	1,584,138
		83,117,897	72,970,083	**2,424,003**	72,757,715
TOTAL ASSETS		**177,500,188**	160,958,120	**148,875,258**	138,765,377
EQUITY AND LIABILITIES					
Share capital	**13**	**138,693,051**	108,801,201	**138,693,051**	108,801,201
Irredeemable convertible unsecured loan stocks	**14**	**18,800,000**	18,800,000	**18,800,000**	18,800,000
Redeemable convertible secured loan stocks	**15**	**-**	556,997	**-**	556,997
Other reserves	**16**	**(17,125,322)**	(20,981,329)	**(14,519,767)**	(12,432,273)
Equity attributable to owners of the parent		**140,367,729**	107,176,869	**142,973,284**	115,725,925
Non-controlling interests		**11,252,492**	8,834,568	**-**	-
Total equity		**151,620,221**	116,011,437	**142,973,284**	115,725,925
Non-current liabilities					
Redeemable convertible secured loan stocks	**15**	**-**	13,455,117	**-**	13,455,117
Borrowings	**17**	**2,720,208**	1,575,297	**-**	-
Deferred tax liabilities	**18**	**1,405,000**	1,224,666	**-**	185,666
		4,125,208	16,255,080	**-**	13,640,783
Current liabilities					
Trade payables	**19**	**13,560,366**	13,954,209	**102,470**	102,470
Other payables and accruals	**20**	**5,940,433**	8,625,902	**218,622**	279,691
Amount due to subsidiaries	**10**	**-**	-	**5,540,046**	5,240,046
Redeemable convertible secured loan stocks	**15**	**-**	3,750,126	**-**	3,750,126
Borrowings	**17**	**1,665,287**	1,127,457	**-**	-
Provision for taxation		**588,673**	1,233,909	**40,836**	26,336
		21,754,759	28,691,603	**5,901,974**	9,398,669
Total liabilities		**25,879,967**	44,946,683	**5,901,974**	23,039,452
TOTAL EQUITY AND LIABILITIES		**177,500,188**	160,958,120	**148,875,258**	138,765,377

The notes set out on pages 42 to 91 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		GROUP		COMPANY	
		2013	2012	2013	2012
	NOTE	RM	RM	RM	RM
Revenue	21	**143,462,597**	98,397,473	**1,596,000**	2,532,960
Cost of sales		**(119,335,726)**	(82,391,781)	**-**	-
Gross profit		**24,126,871**	16,005,692	**1,596,000**	2,532,960
Other income	22	**2,884,335**	18,702,170	**40,068**	12,454,907
Administrative expenses		**(15,613,840)**	(14,091,686)	**(3,694,353)**	(3,435,302)
Selling and distribution expenses		**(1,948,986)**	(1,341,063)	**-**	-
Operating profit/(loss)		**9,448,380**	19,275,113	**(2,058,285)**	11,552,565
Finance costs	23	**(631,336)**	14,761,954	**(410,717)**	8,029,412
Profit/(Loss) before taxation	24	**8,817,044**	34,037,067	**(2,469,002)**	19,581,977
Taxation	25	**(3,307,597)**	(2,277,393)	**(395,914)**	-
Profit/(Loss) for the year		**5,509,447**	31,759,674	**(2,864,916)**	19,581,977
Other comprehensive income for the year, net of tax					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operation		**-**	4,834	**-**	-
Net profit/(loss), representing total comprehensive income/(loss) for the year		**5,509,447**	31,764,508	**(2,864,916)**	19,581,977
Profit/(Loss) for the year attributable to:					
Owners of the parent		**3,091,523**	30,225,859	**(2,864,916)**	19,581,977
Non-controlling interests		**2,417,924**	1,533,815	**-**	-
		5,509,447	31,759,674	**(2,864,916)**	19,581,977
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**3,091,523**	30,230,693	**(2,864,916)**	19,581,977
Non-controlling interests		**2,417,924**	1,533,815	**-**	-
		5,509,447	31,764,508	**(2,864,916)**	19,581,977
Earnings per share attributable to owners of the parent (sen)	26				
- Basic		**0.24**	4.17		
- Diluted		**0.17**	2.58		

The notes set out on pages 42 to 91 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Attributable to Owners of the Parent											
		Non-distributable										
	Share Capital RM	Share Premium RM	Exchange Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	ICULS RM	Equity component of RCSLS RM	Accumulated Losses RM	Total RM	Non-controlling Interests RM	Total Equity RM
2013												
Balance at beginning	108,801,201	204,484	12,938	12,493,076	(12,493,076)	1,290,559	18,800,000	556,997	(22,489,310)	107,176,869	8,834,568	116,011,437
Total comprehensive income during the year	-	-	-	-	-	-	-	-	3,091,523	3,091,523	2,417,924	5,509,447
Transactions with owners:												
Issuance of shares pursuant to:												
- Private placement	27,000,000	-	-	-	-	-	-	-	-	27,000,000	-	27,000,000
- ESOS exercised	2,891,850	-	-	-	-	-	-	-	-	2,891,850	-	2,891,850
Transfer to share premium for share options exercised	-	641,991	-	-	-	(641,991)	-	-	-	-	-	-
Share-based-payment compensation pursuant to ESOS granted	-	-	-	-	-	777,422	-	-	-	777,422	-	777,422
Issuance of Warrants B	-	-	-	10,125,000	(10,125,000)	-	-	-	-	-	-	-
Reversal of equity component upon redemption of RCSLS	-	-	-	-	-	-	-	(556,997)	-	(556,997)	-	(556,997)
Realisation of exchange translation reserve on deconsolidation of a foreign subsidiary	-	-	(12,938)	-	-	-	-	-	-	(12,938)	-	(12,938)
Total transactions with owners	29,891,850	641,991	(12,938)	10,125,000	(10,125,000)	135,431	-	(556,997)	-	30,099,337	-	30,099,337
Balance at end	138,693,051	846,475	-	22,618,076	(22,618,076)	1,425,990	18,800,000	-	(19,397,787)	140,367,729	11,252,492	151,620,221

The notes set out on pages 42 to 91 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Attributable to Owners of the Parent										Non-controlling Interests RM	Total Equity RM
		Non-distributable										
	Share Capital RM	Share Premium RM	Exchange Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	ICULS RM	Equity component of RCSLS RM	Accumulated Losses RM	Total RM		
2012												
Balance at beginning	61,183,000	2,337,541	8,104	-	-	-	-	-	(89,697,082)	(26,168,437)	-	(26,168,437)
Total comprehensive income for the year	-	-	4,834	-	-	-	-	-	30,225,859	30,230,693	1,533,815	31,764,508
Transactions with owners:												
Capital reduction	(36,709,800)	-	-	-	-	-	-	-	36,709,800	-	-	-
Share premium reduction	-	(272,113)	-	-	-	-	-	-	272,113	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	7,300,753	7,300,753
Issuance of shares pursuant to:												
- Debt settlement	28,922,901	-	-	-	-	-	-	556,997	-	29,479,898	-	29,479,898
- Rights issue	3,496,171	-	-	-	-	-	-	-	-	3,496,171	-	3,496,171
- Private placement	3,987,829	-	-	-	-	-	-	-	-	3,987,829	-	3,987,829
- Settlement for the acquisition of subsidiaries	31,000,000	-	-	-	-	-	18,800,000	-	-	49,800,000	-	49,800,000
- Settlement for construction costs												-
and purchase of machinery												-
and equipment	16,000,000	-	-	-	-	-	-	-	-	16,000,000	-	16,000,000
- ESOS exercised	921,100	-	-	-	-	-	-	-	-	921,100	-	921,100
Transfer to share premium for share options exercised	-	204,484	-	-	-	(204,484)	-	-	-	-	-	-
Share-based-payment compensation pursuant to ESOS granted	-	-	-	-	-	1,495,043	-	-	-	1,495,043	-	1,495,043
Issuance of Warrants A	-	-	-	12,493,076	(12,493,076)	-	-	-	-	-	-	-
Restructuring expenses	-	(2,065,428)	-	-	-	-	-	-	-	(2,065,428)	-	(2,065,428)
Total transactions with owners	47,618,201	(2,133,057)	-	12,493,076	(12,493,076)	1,290,559	18,800,000	556,997	36,981,913	103,114,613	7,300,753	110,415,366
Balance at end	108,801,201	204,484	12,938	12,493,076	(12,493,076)	1,290,559	18,800,000	556,997	(22,489,310)	107,176,869	8,834,568	116,011,437

The notes set out on pages 42 to 91 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Attributable to Owners of the Parent								
		Non-distributable							
	Share Capital RM	Share Premium RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	ICULS RM	Equity component of RCSLS RM	Accumulated Losses RM	Total Equity RM
2013									
Balance at beginning	**108,801,201**	**204,484**	**12,493,076**	**(12,493,076)**	**1,290,559**	**18,800,000**	**556,997**	**(13,927,316)**	**115,725,925**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,864,916)**	**(2,864,916)**
Transactions with owners:									
Issuance of shares pursuant to:									
- Private placement	**27,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27,000,000**
- ESOS exercised	**2,891,850**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,891,850**
Transfer to share premium for share options exercised	**-**	**641,991**	**-**	**-**	**(641,991)**	**-**	**-**	**-**	**-**
Share-based-payment compensation to ESOS granted	**-**	**-**	**-**	**-**	**777,422**	**-**	**-**	**-**	**777,422**
Issuance of Warrants B	**-**	**-**	**10,125,000**	**(10,125,000)**	**-**	**-**	**-**	**-**	**-**
Reversal of equity component upon redemption of RCSLS	**-**	**-**	**-**	**-**	**-**	**-**	**(556,997)**	**-**	**(556,997)**
Total transactions with owners	**29,891,850**	**641,991**	**10,125,000**	**(10,125,000)**	**135,431**	**-**	**(556,997)**	**-**	**30,112,275**
Balance at end	**138,693,051**	**846,475**	**22,618,076**	**(22,618,076)**	**1,425,990**	**18,800,000**	**-**	**(16,792,232)**	**142,973,284**
2012									
Balance at beginning	61,183,000	2,337,541	-	-	-	-	-	(70,491,206)	(6,970,665)
Total comprehensive income for the year	-	-	-	-	-	-	-	19,581,977	19,581,977
Transactions with owners:									
Capital reduction	(36,709,800)	-	-	-	-	-	-	36,709,800	-
Share premium reduction	-	(272,113)	-	-	-	-	-	272,113	-
Issuance of shares pursuant to:									
- Debt settlement	28,922,901	-	-	-	-	-	556,997	-	29,479,898
- Rights issue	3,496,171	-	-	-	-	-	-	-	3,496,171
- Private placement	3,987,829	-	-	-	-	-	-	-	3,987,829
- Settlement for the acquisition of subsidiaries	31,000,000	-	-	-	-	18,800,000	-	-	49,800,000
- Settlement for construction costs and acquisition of machinery and equipment	16,000,000	-	-	-	-	-	-	-	16,000,000
- ESOS exercised	921,100	-	-	-	-	-	-	-	921,100
Transfer to share premium for share options exercised	-	204,484	-	-	(204,484)	-	-	-	-
Share-based-payment compensation to ESOS granted	-	-	-	-	1,495,043	-	-	-	1,495,043
Issuance of Warrants A	-	-	12,493,076	(12,493,076)	-	-	-	-	-
Restructuring expenses	-	(2,065,428)	-	-	-	-	-	-	(2,065,428)
Total transactions with owners	47,618,201	(2,133,057)	12,493,076	(12,493,076)	1,290,559	18,800,000	556,997	36,981,913	103,114,613
Balance at end	108,801,201	204,484	12,493,076	(12,493,076)	1,290,559	18,800,000	556,997	(13,927,316)	115,725,925

The notes set out on pages 42 to 91 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	**8,817,044**	34,037,067	**(2,469,002)**	19,581,977
Adjustments for:				
Bad debts	**-**	52,806	**7,014**	5,880
Deemed gain on deconsolidation of subsidiaries	**(12,680)**	-	**-**	-
Depreciation	**5,099,962**	3,283,855	**467,455**	566,528
(Gain)/Loss on disposal of property, plant and equipment	**(52,520)**	(109,328)	**22,664**	900
Gain on disposal of non-current assets held for sale	**-**	(144,011)	**-**	-
Investment in a subsidiary written off	**-**	-	**47,538**	-
Impairment loss on other receivables recovered	**(196,921)**	-	**-**	-
Impairment loss on amount due from a subsidiary recovered	**-**	-	**(10,000)**	(439,850)
Impairment loss on inventories	**-**	562,605	**-**	-
Impairment loss on receivables	**801,616**	646,981	**-**	-
Interest expense				
- current year	**631,336**	3,075,283	**410,717**	1,820,583
- over provision in prior years	**-**	(17,837,237)	**-**	(9,849,995)
Interest income	**(505,879)**	(141,230)	**(30,068)**	(29,609)
Property, plant and equipment written off	**58,804**	-	**-**	-
Share-based compensation pursuant to ESOS granted	**777,422**	1,495,043	**777,422**	1,495,043
Unrealised (gain)/loss on foreign exchange	**(175,218)**	304,574	**-**	18,754
Waiver of debts	**-**	(17,588,602)	**-**	(11,981,718)
Operating profit/(loss) before working capital changes	**15,242,966**	7,637,806	**(776,260)**	1,188,493
Increase in inventories	**(2,302,039)**	(825,803)	**-**	-
Decrease/(Increase) in receivables	**2,631,306**	(2,428,504)	**-**	(82,030)
(Decrease)/Increase in payables	**(3,139,621)**	347,715	**(61,069)**	132,874
Cash generated from/(used in) operations	**12,432,612**	4,731,214	**(837,329)**	1,239,337
Income tax paid	**(3,734,439)**	(1,852,631)	**(381,414)**	-
Income tax refunded	**279,872**	394,537	**-**	-
Interest paid	**(220,619)**	(105,915)	**-**	(301)
Net cash from/(used in) operating activities	**8,757,426**	3,167,205	**(1,218,743)**	1,239,036

The notes set out on pages 42 to 91 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		GROUP		COMPANY	
		2013	2012	**2013**	2012
		RM	RM	**RM**	RM
	Net cash from/(used in) operating activities	**8,757,426**	3,167,205	**(1,218,743)**	1,239,036
	CASH FLOWS FROM INVESTING ACTIVITIES				
(i)	Cash flows on acquisition of subsidiaries	**-**	10,327,869	**-**	-
(ii)	Cash flows from deconsolidation of subsidiaries	**(3,833)**	-	**-**	-
	Interest received	**500,503**	141,000	**30,068**	29,609
	Investment in subsidiaries	**-**	-	**(10,000,000)**	-
	Proceeds from disposal of property, plant and equipment	**221,046**	239,983	**18,750**	46,118
	Proceeds from disposal of non-current assets held for sale	**-**	1,803,462	**-**	-
(iii)	Purchase of property, plant and equipment	**(8,100,867)**	(4,433,621)	**-**	-
	Placement of fixed deposits	**(790,000)**	(323,278)	**-**	-
	Net cash (used in)/from investing activities	**(8,173,151)**	7,755,415	**(9,951,182)**	75,727
	CASH FLOWS FROM FINANCING ACTIVITIES				
	Net change in subsidiaries' balances	**-**	-	**(1,429,383)**	(24,060,388)
	Payment of restructuring expenses	**-**	(556,601)	**-**	(556,601)
	Issuance of shares pursuant to debt settlement	**-**	19,697,790	**-**	19,697,790
	Proceeds from rights issue	**-**	3,496,171	**-**	3,496,171
	Proceeds from private placement	**27,000,000**	3,987,829	**27,000,000**	3,987,829
	Proceeds from ESOS exercised	**2,891,850**	921,100	**2,891,850**	921,100
	Repayment of term loans	**(555,520)**	(75,253)	**-**	-
	Redemption of RCSLS	**(17,904,371)**	-	**(17,904,371)**	-
	Repayment of bankers' acceptance	**-**	(600,000)	**-**	-
	Payment of finance lease liabilities	**(1,266,640)**	(623,477)	**-**	(7,681)
	RCSLS interest paid	**(454,252)**	(448,836)	**(454,252)**	(448,836)
	Net cash from financing activities	**9,711,067**	25,798,723	**10,103,844**	3,029,384
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**10,295,342**	36,721,343	**(1,066,081)**	4,344,147
	Effects of foreign exchange rates changes	**118,899**	98,622	**-**	-
	CASH AND CASH EQUIVALENTS AT BEGINNING	**22,744,408**	(14,075,557)	**1,614,038**	(2,730,109)
	CASH AND CASH EQUIVALENTS AT END	**33,158,649**	22,744,408	**547,957**	1,614,038
	Represented by:				
	Fixed deposits with licensed banks	**3,718,545**	3,620,644	**29,900**	29,900
	Cash and bank balances	**29,440,104**	19,239,542	**518,057**	1,584,138
	Bank overdrafts	**-**	(115,778)	**-**	-
		33,158,649	22,744,408	**547,957**	1,614,038

The notes set out on pages 42 to 91 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		GROUP		COMPANY	
		2013	2012	**2013**	2012
		RM	RM	**RM**	RM
(i)	**Cash flows on acquisition of subsidiaries**				
	Property, plant and equipment	**-**	23,827,683	**-**	-
	Inventories	**-**	3,164,613	**-**	-
	Receivables	**-**	22,498,390	**-**	-
	Cash and bank balances	**-**	6,929,878	**-**	-
	Fixed deposits with licensed banks	**-**	3,397,991	**-**	-
	Payables	**-**	(18,318,152)	**-**	-
	Borrowings	**-**	(3,461,714)	**-**	-
	Provision for taxation	**-**	(855,445)	**-**	-
	Deferred tax liabilities	**-**	(811,759)	**-**	-
	Fair value of net assets	**-**	36,371,485	**-**	-
	Non-controlling interest	**-**	(7,300,753)	**-**	-
	Share of net assets acquired	**-**	29,070,732	**-**	-
	Goodwill on consolidation	**-**	20,729,268	**-**	-
	Total acquisition cost	**-**	49,800,000	**-**	-
	Less: Cash and bank balances	**-**	(10,327,869)	**-**	-
		-	39,472,131	**-**	-
	Satisfied by way of issue of Company's shares and ICULS	**-**	(49,800,000)	**-**	-
	Cash flows on acquisition of subsidiaries	**-**	(10,327,869)	**-**	-
(ii)	**Cash flow on deconsolidation subsidiaries**				
	Cash and bank balances	**3,833**	-	**-**	-
	Payables	**(3,575)**	-	**-**	-
	Exchange translation reserve	**(12,938)**	-	**-**	-
	Net liabilities deconsolidated	**(12,680)**			
	Deemed gain on deconsolidation of investment in subsidiaries	**12,680**	-	**-**	-
	Less: Cash and bank balances	**(3,833)**	-	**-**	-
	Cash flows on deconsolidation of subsidiaries	**(3,833)**	-	**-**	-
(iii)	**Purchase of property, plant and equipment**				
	Total acquisition cost	**11,721,546**	20,621,621	**-**	**-**
	Acquired under finance lease	**(3,620,679)**	(188,000)	**-**	-
	Satisfied by way of issue of Company's shares	**-**	(16,000,000)	**-**	-
	Total cash acquisition	**8,100,867**	4,433,621	**-**	-

The notes set out on pages 42 to 91 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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 28 April 2014.

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.

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 ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 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 as set out in Note 3.

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 New MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to IC Int

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 new MFRSs, amendments/improvements to MFRSs, IC Int and amendments to IC Int that are mandatory for the current financial year:

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

2.4 **Adoption of New MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)**

Amendments to MFRSs effective 1 July 2012

MFRS 101	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

MFRSs and IC Int effective 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by International Accounting Standards Board ("IASB") in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production of A Surface Mine

Amendments to MFRSs effective 1 January 2013

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Annual Improvements 2009 – 2011 Cycle issued in July 2012

Initial application of the above standards, amendments and interpretations did not have any material impact on the financial statements of the Group and of the Company except for the following:

(i) **Amendments to MFRS 101 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income**

The Group and the Company adopted amendments to MFRS 101 on 1 July 2012. The amendments to MFRS 101 introduces a grouping method for items presented in other comprehensive income. Items that will be reclassified or recycled to profit or loss at a future point in time (e.g. gain or loss on available-for-sale financial assets) have to be presented separately from items that will not be reclassified or recycled to profit or loss at a future point in time (e.g. revaluation of land and buildings). The amendments affect only the presentation and have no impact on the Group's and the Company's financial position or performance.

(ii) **MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements**

The effects of adopting MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements are discussed in Note 3.1 to the financial statements.

2.5 **Standards Issued But Not Yet Effective**

The Group and the Company have not applied the following new MFRSs, amendments to MFRSs and IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

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

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

Amendments to MFRSs and IC Int effective for financial periods beginning on or after 1 January 2014

MFRS 10, 12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRSs and IC Int effective for financial periods beginning on or after 1 January 2014

MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Int 21	Levies

Effective for financial periods beginning on or after 1 July 2014

Amendments to MRFS 119 Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

Effective date yet to be confirmed

Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

The initial application of the above standards is not expected to have any financial impact to the Group's and the Company's financial statements upon adoption.

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.

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)

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

The Group and the Company perform 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 continuing operations. Therefore, in arriving at the recoverable amount, management exercise 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 once a year or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(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) **Deferred tax assets**

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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 unincorporated 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 adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group 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. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. However, the adoption of MFRS 10 has no significant impact to the financial statements of the Group for the current financial year.

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 subsidiaries, the difference between the net disposal proceeds and their carrying amount is included 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of Consolidation (cont'd)

(iii) Acquisitions of non-controlling interests

The Group treats 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 subsidiary. Any surplus or deficit arising on 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 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 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination 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 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.

3.3 Property, Plant and Equipment

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

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

Leasehold land	Amortised over lease period of 34 to 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%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

3.3 Property, Plant and Equipment (cont'd)

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 its net disposal proceeds and its carrying amount is recognised in profit or loss.

3.4 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 or the Company assumes substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

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 and is measured using fair value model.

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 lease payments.

3.5 Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

3.5 **Impairment of Non-Financial Assets (cont'd)**

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss. Impairment of goodwill is not reversed in a subsequent period.

3.6 **Financial Instruments**

3.6.1 **Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statements 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.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.6.2 **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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

3.6 **Financial Instruments (cont'd)**

3.6.3 **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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statement of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

3.6.4 **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.

3.7 **Impairment of Financial Assets**

All financial assets (except 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.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3.8 **Cash and Cash Equivalents**

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and 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.

3.9 **Inventories**

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

Cost of finished goods and work-in-progress includes raw materials, direct labour and attributable production overheads.

Cost is determined on the first-in, first-out 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. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

3.10 **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3.11 **Income Recognition**

Sale of goods

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

Provision of services

Revenue arising from the provision of services is recognised on the dates the services are rendered and completed.

Management fee

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

Rental and interest income

Rental and interest income are recognised on the accrual basis.

3.12 **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 each reporting date until the vesting date reflects the extent to which the vesting period has expired and the subsidiaries' 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

3.13 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.

3.14 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.

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 the following temporary differences: the initial recognition of goodwill, 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 the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.15 Foreign Currency Translations

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, foreign currency monetary items are translated into functional currency at the exchange rates ruling at that date. All exchange gains or losses are recognised in profit or loss.

The financial statements of the foreign subsidiary are translated into RM at the approximate rate of exchange ruling at the end of the reporting period for assets and liabilities and at the approximate average rate of exchange ruling on transaction dates for income and expenses. Exchange differences due to such currency translations are taken directly to exchange translation reserve.

Upon disposal of a foreign operation which resulted in a loss of control, the cumulative translation differences recognised in equity (the foreign translation reserve) are reclassified to profit or loss and recognised as part of the gain or loss on disposal. On partial disposal of a foreign operation, the proportionate share of the cumulative translation differences recognised in equity shall be re-attributed to the non-controlling interests in that foreign operation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

3.16 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.

ICULS which have a 0% coupon rate are considered to have only the equity component, as there is no obligation for payment of interest, principal or for re-purchase.

3.17 Redeemable Convertible Secured Loan Stocks ("RCSLS")

The RCSLS are regarded as compound instruments, consisting of a liability component and an equity component. The component of RCSLS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position. The coupon payable on RCSLS are recognised as interest expense in profit or loss using the effective interest rate method. On issuance of the RCSLS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for other financial liabilities.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholders' equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the RCSLS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

3.18 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.

3.19 Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

3.20 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 is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.21 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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

4. **PROPERTY, PLANT AND EQUIPMENT**

GROUP

	Long leasehold land RM	Short 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
2013										
At cost										
Balance at beginning	895,000	6,364,982	33,080,633	89,907,914	10,293,423	4,391,016	3,470,005	88,168	13,736,730	162,227,871
Additions	-	-	898,750	7,227,904	755,263	175,945	850,598	-	1,813,086	11,721,546
Disposals	-	-	-	(1,147,897)	-	-	(441,184)	-	-	(1,589,081)
Written off	-	-	-	(4,454,504)	(391,663)	-	-	-	-	(4,846,167)
Reclassification	-	-	12,996,927	1,330,374	183,657	724,858	-	-	(15,235,816)	-
Balance at end	895,000	6,364,982	46,976,310	92,863,791	10,840,680	5,291,819	3,879,419	88,168	314,000	167,514,169
Accumulated depreciation										
Balance at beginning	25,150	1,117,786	6,251,368	57,569,520	9,074,171	3,689,609	2,472,765	85,126	-	80,285,495
Current charge	10,407	111,963	807,594	3,269,871	374,897	150,511	374,529	190	-	5,099,962
Disposals	-	-	-	(839,323)	-	-	(438,973)	-	-	(1,278,296)
Written off	-	-	-	(4,374,251)	(391,419)	-	-	-	-	(4,765,670)
Balance at end	35,557	1,229,749	7,058,962	55,625,817	9,057,649	3,840,120	2,408,321	85,316	-	79,341,491
Accumulated impairment loss										
Balance at beginning	-	-	2,818,435	11,555,107	-	310,065	-	-	-	14,683,607
Disposals	-	-	-	(142,259)	-	-	-	-	-	(142,259)
Written off	-	-	-	(21,693)	-	-	-	-	-	(21,693)
Balance at end	-	-	2,818,435	11,391,155	-	310,065	-	-	-	14,519,655
Carrying amount	859,443	5,135,233	37,098,913	25,846,819	1,783,031	1,141,634	1,471,098	2,852	314,000	73,653,023

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

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

GROUP

	Long leasehold land RM	Short 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
2012										
At cost										
Balance at beginning	-	4,839,982	25,562,633	54,901,426	6,770,465	3,661,369	868,398	84,368	-	96,688,641
Acquisition of subsidiaries	895,000	1,525,000	7,518,000	29,119,527	3,282,633	729,647	2,634,619	3,800	314,000	46,022,226
Additions	-	-	-	6,851,478	240,325	-	107,088	-	13,422,730	20,621,621
Disposals	-	-	-	(964,517)	-	-	(122,500)	-	-	(1,087,017)
Written off	-	-	-	-	-	-	(17,600)	-	-	(17,600)
Balance at end	895,000	6,364,982	33,080,633	89,907,914	10,293,423	4,391,016	3,470,005	88,168	13,736,730	162,227,871
Accumulated depreciation										
Balance at beginning	-	976,448	5,464,450	38,877,208	6,530,594	3,120,049	579,555	84,366	-	55,632,670
Acquisition of subsidiaries	19,079	34,318	233,597	17,311,277	2,357,020	493,101	1,745,613	538	-	22,194,543
Current charge	6,071	107,020	553,321	2,066,509	186,557	76,459	287,696	222	-	3,283,855
Disposals	-	-	-	(685,474)	-	-	(122,499)	-	-	(807,973)
Written off	-	-	-	-	-	-	(17,600)	-	-	(17,600)
Balance at end	25,150	1,117,786	6,251,368	57,569,520	9,074,171	3,689,609	2,472,765	85,126	-	80,285,495
Accumulated impairment loss										
Balance at beginning	-	-	2,818,435	11,703,496	-	310,065	-	-	-	14,831,996
Disposals	-	-	-	(148,389)	-	-	-	-	-	(148,389)
Balance at end	-	-	2,818,435	11,555,107	-	310,065	-	-	-	14,683,607
Carrying amount	869,850	5,247,196	24,010,830	20,783,287	1,219,252	391,342	997,240	3,042	13,736,730	67,258,769

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

COMPANY

	Short leasehold land RM	Buildings RM	Plant, machinery and moulds RM	Furniture, fittings and office equipment RM	Electrical installation RM	Motor vehicles RM	Total RM
2013							
At cost							
Balance at beginning	**2,396,529**	**12,222,413**	**26,187,762**	**4,855,792**	**2,007,411**	**200,271**	**47,870,178**
Disposals	**-**	**-**	**(269,125)**	**-**	**-**	**-**	**(269,125)**
Balance at end	**2,396,529**	**12,222,413**	**25,918,637**	**4,855,792**	**2,007,411**	**200,271**	**47,601,053**
Accumulated depreciation							
Balance at beginning	**610,395**	**3,541,619**	**23,883,881**	**4,822,037**	**1,947,401**	**200,262**	**35,005,595**
Current charge	**39,942**	**244,448**	**157,320**	**22,176**	**3,569**	**-**	**467,455**
Disposals	**-**	**-**	**(158,632)**	**-**	**-**	**-**	**(158,632)**
Balance at end	**650,337**	**3,786,067**	**23,882,569**	**4,844,213**	**1,950,970**	**200,262**	**35,314,418**
Accumulated impairment loss							
Balance at beginning	**-**	**-**	**1,528,302**	**-**	**46,022**	**-**	**1,574,324**
Disposals	**-**	**-**	**(69,079)**	**-**	**-**	**-**	**(69,079)**
Balance at end	**-**	**-**	**1,459,223**	**-**	**46,022**	**-**	**1,505,245**
Carrying amount	**1,746,192**	**8,436,346**	**576,845**	**11,579**	**10,419**	**9**	**10,781,390**
2012							
At cost							
Balance at beginning	2,396,529	12,222,413	26,398,793	4,855,792	2,007,411	238,271	48,119,209
Disposals	-	-	(211,031)	-	-	(38,000)	(249,031)
Balance at end	2,396,529	12,222,413	26,187,762	4,855,792	2,007,411	200,271	47,870,178
Accumulated depreciation							
Balance at beginning	570,453	3,297,171	23,757,087	4,790,375	1,942,282	226,247	34,583,615
Current charge	39,942	244,448	233,343	31,662	5,119	12,014	566,528
Disposals	-	-	(106,549)	-	-	(37,999)	(144,548)
Balance at end	610,395	3,541,619	23,883,881	4,822,037	1,947,401	200,262	35,005,595
Accumulated impairment loss							
Balance at beginning	-	-	1,585,767	-	46,022	-	1,631,789
Disposals	-	-	(57,465)	-	-	-	(57,465)
Balance at end	-	-	1,528,302	-	46,022	-	1,574,324
Carrying amount	1,786,134	8,680,794	775,579	33,755	13,988	9	11,290,259

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

(i) The carrying amount of property, plant and equipment which are being pledged to licensed banks as security for banking facilities granted to certain subsidiaries and as security for RCSLS issued are as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Leasehold land	**3,705,926**	3,781,789	**-**	-
Buildings	**18,637,006**	19,348,744	**4,742,248**	4,892,638
Plant, machinery and moulds	**1,460,695**	1,880,845	**324,503**	436,871
	23,803,627	25,011,378	**5,066,751**	5,329,509

Analysed as:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Pledged to licensed banks for banking facilities granted to the Group	**7,712,871**	8,100,139	**-**	-
* Pledged as security for RCSLS issued	**16,090,756**	16,911,239	**5,066,751**	5,329,509
	23,803,627	25,011,378	**5,066,751**	5,329,509

* The Company is in the process of discharging the property, plant and equipment pledged to the financial institutions for the RCSLS issued pursuant to the redemption of the outstanding RCSLS during the financial year.

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

	GROUP	
	2013	2012
	RM	RM
Plant, machinery and moulds	**4,360,766**	1,891,497
Motor vehicles	**1,280,642**	753,892
	5,641,408	2,645,389

The leased assets are pledged as security for the related finance lease liabilities (Note 17).

(iii) Shophouse with carrying amount of **RM225,764** (2012: RM228,956) is held in the name of a director in trust for a subsidiary. It was pledged to a licensed bank for term loan facility granted to the subsidiary, which was fully settled during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2013	2012
	RM	RM
Unquoted shares, at cost	**106,099,417**	89,998,151
Less: Accumulated impairment loss	**(34,429,552)**	(35,280,748)
	71,669,865	54,717,403
Redeemable preference shares	**64,000,000**	-
	135,669,865	54,717,403

Details of the subsidiaries are as follows:

	Name of entity	Place of incorporation	Effective equity interest 2013 %	2012 %	Principal activities
	Direct				
	Luster Precision Engineering Sdn. Bhd.	Malaysia	**100**	100	Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products.
	Luster Plastic Industries Sdn. Bhd.	Malaysia	**100**	100	Property letting. The subsidiary has ceased business operations during the year.
*^	Luster Electronics Sdn. Bhd.	Malaysia	**-**	100	Investment holding.
	Luster Manufacturing Sdn. Bhd.	Malaysia	**100**	100	Investment holding.
^	Demand Portfolio Sdn. Bhd.	Malaysia	**-**	100	Dormant.
	Luster Chi Wo Sdn. Bhd.	Malaysia	**51**	51	Dormant.
	Winco Precision Engineering (Melaka) Sdn. Bhd.	Malaysia	**100**	100	Precision engineering work.
	Winco Precision Technologies Sdn. Bhd.	Malaysia	**80**	80	Manufacturing of die- casting components. The subsidiary has ceased business operations during the year.
	Exzone Plastics Manufacturers Sdn. Bhd.	Malaysia	**59.13**	59.13	Manufacturing of plastic injection moulded parts, sub-assembly of plastic parts and provision of its related services.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

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

	Name of entity	Place of Incorporation	Effective Equity Interest 2013 %	2012 %	Principal Activities
	Indirect - held through Luster Precision Engineering Sdn. Bhd.				
*	Luster Seweon Sdn. Bhd.	Malaysia	**70**	70	Dormant.
	Indirect - held through Luster Plastic Industries Sdn. Bhd.				
*	Linpower Resources Sdn. Bhd.	Malaysia	**100**	100	Investment holding.
*^	YTS Industries Sdn. Bhd.	Malaysia	**-**	100	Dormant.
	Indirect - held through Luster Manufacturing Sdn. Bhd.				
*^	Millenium Environment (Asia Pacific) Pte. Ltd.	Singapore	**-**	100	Dormant.
	Indirect – held through Winco Precision Engineering (Melaka) Sdn. Bhd.				
	Winco Precision Technologies Sdn. Bhd.	Malaysia	**20**	20	Manufacturing of die- casting components. The subsidiary has ceased business operations during the year.
	Indirect – held through Exzone Plastics Manufacturers Sdn. Bhd.				
	Imetron (M) Sdn. Bhd.	Malaysia	**100**	100	Property letting.

* Not audited by Grant Thornton.

^ These subsidiaries were struck off during the financial year. The deconsolidation of these subsidiaries did not have a material effect on the financial results and position of the Group for the financial year ended 31 December 2013.

2013

(i) On 31 May 2013, the Company subscribed for an additional 10,000,000 new ordinary shares of RM1 each at par for cash in Luster Precision Engineering Sdn. Bhd. for a total consideration of RM10,000,000. Subsequently, on 29 November 2013 and 13 December 2013, the Company accepted the total allotments of 64,000 redeemable preference shares of RM1 each, fully paid-up in the capital of the subsidiary, at an issue price of RM1,000 each as satisfaction of RM64,000,000 due to the Company.

(ii) On 30 December 2013, the Company subscribed for an additional 7,000,000 new ordinary shares of RM1 each at par in Luster Plastic Industries Sdn. Bhd. as satisfaction of RM7,000,000 due to the Company.

The above share subscriptions and allotment did not result in any change in the effective equity interest of the Company in the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

2012

In the previous financial year, the Company completed the following acquisitions:

(i) 100% equity interest in Winco Precision Engineering (Melaka) Sdn. Bhd. for a total consideration of RM21,280,000;
(ii) 80.00% equity interest in Winco Precision Technologies Sdn. Bhd. for a total consideration of RM5,820,000; and
(iii) 59.13% equity interest in Exzone Plastics Manufacturers Sdn. Bhd. for a total consideration of RM22,700,000.

The purchase considerations were satisfied by issuance of a combination of the Company's ordinary shares and 0% five (5)-year irredeemable convertible unsecured loan stocks.

The acquired subsidiaries which qualified as business combinations contributed the following results to the Group in the previous financial year:

	GROUP RM
Revenue	58,779,043
Cost of sales	(46,428,771)
Gross profit	12,350,272
Other income	418,204
Administrative expenses	(5,572,475)
Selling and distribution expenses	(156,003)
Operating profit	7,039,998
Finance costs	(113,222)
Profit before taxation	6,926,776
Taxation	(1,918,252)
Profit after taxation	5,008,524

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and profit for the year would have been RM135,761,049 and RM35,465,118 respectively.

The fair values of the identifiable assets and liabilities of the acquisitions as at the date of acquisition were as follows:

	GROUP RM
Non-current assets	23,827,683
Current assets	35,785,132
	59,612,815
Non-current liabilities	811,759
Current liabilities	22,429,571
	23,241,330
Fair value of net assets	36,371,485
Less : Non-controlling interests	(7,300,753)
Group's share of net assets	29,070,732
Goodwill on acquisition (Note 6)	20,729,268
Total acquisition cost	49,800,000

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

The Group's subsidiary, Exzone Plastics Manufacturers Sdn. Bhd., has material non-controlling interests ("NCI"), details of which are disclosed as follows:

	2013	2012
	RM	RM
NCI percentage of ownership interest and voting interest	**40.87%**	40.87%
Carrying amount of NCI	**11,252,492**	8,834,568
Profit allocated to NCI	**2,417,924**	1,533,815

Summarised financial information before intra-group elimination

	2013	2012
	RM	RM
At 31 December		
Total assets	**38,190,769**	36,362,100
Total liabilities	**(11,620,522)**	(15,697,988)
Net assets	**26,570,247**	20,664,112
Year ended 31 December		
Revenue	**71,371,982**	43,330,087*
Net profit, representing total comprehensive income for the year	**5,916,135**	3,752,913*
Cash flows from operating activities	**6,176,737**	4,996,245
Cash flows from investing activities	**(3,115,463)**	(4,737)
Cash flows from financing activities	**(569,070)**	(677,809)
Net increase in cash and cash equivalents	**2,492,204**	4,313,699

* From the date of acquisition and control commences.

6. **GOODWILL ON CONSOLIDATION**

	GROUP	
	2013	2012
	RM	RM
At cost:		
Arising from acquisition of subsidiaries	**20,729,268**	20,729,268

Impairment test on goodwill

Goodwill arising from business combinations has been allocated to its business segment as its cash generating units (CGUs).

For annual impairment testing purposes, the recoverable amounts of the CGU are determined based on their value-in-use, which apply a discounted cash flow model using cash flow projections based on financial budgets and projections approved by the management.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

6. GOODWILL ON CONSOLIDATION (cont'd)

The key assumptions on which the management has based on for the computation of value-in-use are as follows:

(i) Cash flow projections and growth rate

The five-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate of **3%** (2012: 5%) per annum for the subsequent years.

(ii) Discount rate

The discount rate of **6.60%** (2012: 6.60%) is applied to the cash flow projections. The discount rate are estimated based on the Group's weighted average cost of capital for the year.

The values assigned to the key assumptions represent management's assessment of future trends in the industry. The management believes that no reasonably possible changes in any key assumptions would cause the recoverable amount of the CGU to differ materially from its carrying amount except for changes in prevailing operating environment which is not ascertainable.

7. INVENTORIES

	GROUP	
	2013	2012
	RM	RM
Raw materials	**6,292,742**	4,578,621
Work-in-progress	**1,794,924**	1,622,571
Finished goods	**4,845,319**	4,550,461
Consumables	**271,090**	150,383
	13,204,075	10,902,036

The cost of inventories recognised as expense during the financial year in the Group amounted to **RM119,335,726** (2012: RM82,391,781).

8. TRADE RECEIVABLES

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Trade receivables	**32,942,833**	35,471,536	**-**	304,133
Less: Accumulated impairment loss				
Balance at beginning	**(756,258)**	(1,046,083)	**(304,133)**	(304,133)
Acquired in business combination	-	(5,538)	**-**	-
Current year	**(801,616)**	-	**-**	-
Written off	**351,133**	295,363	**304,133**	-
Balance at end	**(1,206,741)**	(756,258)	**-**	(304,133)
	31,736,092	34,715,278	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

8. TRADE RECEIVABLES (cont'd)

The currency profile of trade receivables is as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Ringgit Malaysia	**28,572,240**	31,879,536	**-**	304,133
US Dollar	**2,815,969**	1,565,075	**-**	-
Singapore Dollar	**1,553,216**	1,933,640	**-**	-
Euro	**1,408**	1,726	**-**	-
Australian Dollar	-	91,559	**-**	-
	32,942,833	35,471,536	**-**	304,133

The normal credit terms granted to trade receivables range from **30 to 120 days** (2012: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Other receivables	**633,821**	970,563	**9,623**	9,623
Less: Accumulated impairment loss				
Balance at beginning	**(660,243)**	(13,262)	**(9,623)**	(9,623)
Current year	**-**	(646,981)	**-**	-
Debts recovered	**196,921**	-	**-**	-
Balance at end	**(463,322)**	(660,243)	**(9,623)**	(9,623)
	170,499	310,320	**-**	-
Refundable deposits	**1,587,912**	1,233,134	**293,450**	293,450
Prepayments	**2,007,341**	2,358,910	**82,030**	82,030
	3,765,752	3,902,364	**375,480**	375,480

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Ringgit Malaysia	**4,229,074**	2,845,534	**385,103**	385,103
US Dollar	**-**	1,670,141	**-**	-
New Taiwan Dollar	**-**	46,932	**-**	-
	4,229,074	4,562,607	**385,103**	385,103

Included in the Group's prepayments are advance payments amounting to **RM Nil** (2012: RM2,116,589) paid for the construction costs related to the extension of the Group's existing factory premise.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

10. AMOUNT DUE FROM/TO SUBSIDIARIES

	COMPANY	
	2013	2012
	RM	RM
Amount due from subsidiaries:		
Total amount	**2,721,345**	71,998,976
Less: Accumulated impairment loss		
Balance at beginning	**(1,230,779)**	(1,670,629)
Recovered	**10,000**	439,850
Balance at end	**(1,220,799)**	(1,230,779)
	1,500,566	70,768,197
Amount due to subsidiaries:		
Total amount	**5,540,046**	5,240,046

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

11. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Unencumbered	**3,718,545**	3,620,644	**29,900**	29,900
* Pledged as security for banking facilities and finance lease of certain subsidiaries	**1,140,748**	345,372	**-**	-
	4,859,293	3,966,016	**29,900**	29,900

* Included herein are fixed deposits amounting to **RM108,919** (2012: RM111,391) placed in the name of a director of the Company, in trust for certain subsidiaries.

The effective interest rates per annum and maturities of the fixed deposits as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Interest rate	**1.70% - 3.25%**	1.70% - 3.25%	**3.15%**	2.95%
Maturity	**22 - 365 days**	22 - 365 days	**365 days**	365 days

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

12. **CASH AND BANK BALANCES**

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Short term investments with a licensed financial institution	**17,430,774**	7,637,436	**-**	-
Cash and bank balances	**12,009,330**	11,602,106	**518,057**	1,584,138
	29,440,104	19,239,542	**518,057**	1,584,138

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Ringgit Malaysia	**26,055,111**	16,599,757	**516,901**	1,574,692
US Dollar	**701,049**	637,169	**117**	7,272
Singapore Dollar	**2,683,922**	1,994,834	**1,017**	2,152
Others	**22**	7,782	**22**	22
	29,440,104	19,239,542	**518,057**	1,584,318

13. **SHARE CAPITAL**

	Number of ordinary shares		Amount	
	2013	2012	**2013**	2012
			RM	RM
Authorised:				
Balance at beginning Ordinary shares of RM1.00 each	**2,500,000,000**	100,000,000	**250,000,000**	100,000,000
Sub division of par value to RM0.10 each	**-**	900,000,000	**-**	-
	2,500,000,000	1,000,000,000	**250,000,000**	100,000,000
Creation	**-**	1,500,000,000	**-**	150,000,000
Balance at end Ordinary shares of RM0.10 each	**2,500,000,000**	2,500,000,000	**250,000,000**	250,000,000
Issued and fully paid:				
Balance at beginning Ordinary shares of RM1.00 each	**1,088,012,010**	61,183,000	**108,801,201**	61,183,000
Par value reduction to RM0.40 each	-	-	**-**	(36,709,800)
	1,088,012,010	61,183,000	**108,801,201**	24,473,200
Sub division of par value to RM0.10 each	**-**	183,549,000	**-**	-
Balance carried forward	**1,088,012,010**	244,732,000	**108,801,201**	24,473,200

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

13. **SHARE CAPITAL (cont'd)**

	Number of ordinary shares		Amount	
	2013	2012	**2013**	2012
			RM	RM
Balance brought forward	**1,088,012,010**	244,732,000	**108,801,201**	24,473,200
Issuance pursuant to:				
Debt settlement	**-**	289,229,010	-	28,922,901
Rights issue	**-**	34,961,715	-	3,496,171
Private placement	**270,000,000**	39,878,285	**27,000,000**	3,987,829
Part settlement for the acquisition of subsidiaries	**-**	310,000,000	-	31,000,000
Part settlement of machinery and equipment and construction costs	**-**	160,000,000	-	16,000,000
Exercise of ESOS	**28,918,500**	9,211,000	**2,891,850**	921,100
Balance at end Ordinary shares of RM0.10 each	**1,386,930,510**	1,088,012,010	**138,693,051**	108,801,201

During the financial year, the Company had increased its issued and paid-up capital from RM108,801,201 to RM138,693,051 by:

(i) issuance of up to 270,000,000 new ordinary shares of RM0.10 each ("Placement Shares") together with 216,000,000 free detachable warrants via a Private Placement with Warrants exercise. The proceeds received from this exercise were utilised for the Group's working capital, to redeem all outstanding Redeemable Cumulative Secured Loan Stocks and to defray expenses incurred for this exercise; and

(ii) the allotment of 28,918,500 new ordinary shares of RM0.10 each at an exercise price of RM0.10 each per share for cash pursuant to the Employee Share Option Scheme.

14. **IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS**

	2013	2012
	RM	RM
0% Iredeemable Convertible Unsecured Loan Stocks 2012/2017 ("ICULS")	**18,800,000**	18,800,000

The ICULS at nominal value of RM0.10 each were constituted by a Trust Deed dated 23 April 2012 made between the Company and the Trustee for the holders of the ICULS. The ICULS are issued as part settlement for the purchase considerations for the acquisition of subsidiaries (Note 5) in the previous financial year.

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.

(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.

There were no conversion of ICULS into ordinary shares during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

15. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

	2013 RM	2012 RM
Nominal value of Redeemable Convertible Secured Loan Stocks ("RCSLS")	**-**	17,904,371

The Company had on 12 June 2012 issued up to RM17,904,371 nominal value of 5% five (5)-year RCSLS of RM0.10 each.

The salient terms of the RCSLS issued by the Company are as follows:

(i) The RCSLS shall bear a coupon rate of 5% per annum, and payment of the interest will be semi-annually in arrears.

(ii) Upon conversion of the RCSLS into new ordinary shares, such share shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the time or conversion 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 to be issued pursuant to the conversion of RCSLS.

(iii) In the event of default, the Company shall pay to the holders of the RCSLS default interest thereon at the rate of one per cent (1%) per annum above the coupon rate payable, calculated from the due date of payment up to the date of actual payment. All unpaid interest including such additional interest shall be compounded on monthly basis and shall thereafter bear interest at the said default rate.

(iv) The RCSLS holders have the option to convert the RCSLS into ordinary shares from the issue date. If not converted by the RCSLS holders, the RCSLS will be redeemed by the Company proportionately on a straight line basis of 20% annually. All outstanding RCSLS shall be fully redeemed on the maturity date. In the event of default, all outstanding RCSLS together with interest accrued payable to the RCSLS holders shall become immediately due and payable.

(v) The RCSLS holders are not entitled to participate in any distribution or offer of securities of the Company until and unless such RCSLS holders convert the RCSLS into ordinary shares.

During the financial year, the Company has redeemed all outstanding RCSLS and the pledged assets are in the process of being discharged as disclosed in Note 4(i).

The carrying amount of the liability component at initial recognition of RCSLS is arrived at as follows:

	2012 RM
Fair value of RCSLS	17,904,371
Equity component	
- Equity component, net of deferred tax	(556,997)
- Deferred tax liability (Note 18)	(185,666)
	(742,663)
Liability component of RCSLS at initial recognition	17,161,708

	2013 RM	2012 RM
Liability component of RCSLS at initial recognition	**17,161,708**	17,161,708
Interest expense recognised in profit or loss:		
Balance at beginning	**492,371**	-
Recognised during the year	**410,717**	492,371
Balance at end	**903,088**	492,371
Coupon paid:		
Balance at beginning	**(448,836)**	-
Paid during the year	**(454,252)**	(448,836)
Balance at end	**(903,088)**	(448,836)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

15. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (cont'd)

	2013	2012
	RM	RM
Redemption:		
Reversal of equity component on redemption	**742,663**	-
Redemption amount paid during the year	**(17,904,371)**	-
	(17,161,708)	-
Liability component as at end of the reporting period	**-**	17,205,243
Maturity of liability component:		
Due within 12 months	**-**	3,750,126
Due after 12 months	**-**	13,455,117
	-	17,205,243

16. OTHER RESERVES

	GROUP		**COMPANY**	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Share premium	**846,475**	204,484	**846,475**	204,484
Foreign exchange translation reserve (Note a)	**-**	12,938	**-**	-
Warrants reserve (Note b)	**22,618,076**	12,493,076	**22,618,076**	12,493,076
Discount on shares (Note b)	**(22,618,076)**	(12,493,076)	**(22,618,076)**	(12,493,076)
ESOS reserve (Note c)	**1,425,990**	1,290,559	**1,425,990**	1,290,559
	2,272,465	1,507,981	**2,272,465**	1,495,043
Accumulated losses	**(19,397,787)**	(22,489,310)	**(16,792,232)**	(13,927,316)
	(17,125,322)	(20,981,329)	**(14,519,767)**	(12,432,273)

(a) The foreign exchange translation reserve was in respect of foreign exchange differences on translation of the financial statements of the Group's foreign subsidiary. The foreign subsidiary has been struck off during the current financial year and the foreign exchange translation reserve is reclassified to profit or loss.

(b) The warrants reserve comprises the fair values of the following Warrants:

	2013	2012
	RM	RM
Warrants A expiring 4 June 2022 (Note b(i))	**12,493,076**	12,493,076
Warrants B expiring 29 May 2023 (Note b(ii))	**10,125,000**	-
	22,618,076	12,493,076

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

16. **OTHER RESERVES (cont'd)**

(b) The warrants reserve comprises the fair values of the following Warrants (cont'd):

(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 2013, 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 of RM0.10 each 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.

- 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 28 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 2013, 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 of RM0.10 each 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.

(c) The ESOS reserve represents the equity-settled share options granted to 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 options.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

17. BORROWINGS

	GROUP	
	2013	2012
	RM	RM
Non-current liabilities		
Finance lease liabilities		
Minimum payments:		
Within one year	**1,860,504**	953,575
More than one year and less than two years	**1,363,560**	709,990
More than two years and less than five years	**1,476,722**	402,779
More than five years	**14,607**	16,173
	4,715,393	2,082,517
Future finance charges	**(423,619)**	(144,782)
	4,291,774	1,937,735
Amount due within one year included under current liabilities	**(1,635,317)**	(870,605)
	2,656,457	1,067,130
Term loans		
Total amount repayable	**93,721**	649,241
Amount due within one year included under current liabilities	**(29,970)**	(141,074)
	63,751	508,167
	2,720,208	1,575,297
Current liabilities		
Bank overdrafts	**-**	115,778
Finance lease liabilities	**1,635,317**	870,605
Term loans	**29,970**	141,074
	1,665,287	1,127,457
Total borrowings	**4,385,495**	2,702,754

The borrowings are secured by way of:

(i) Fixed and floating charges over certain property, plant and equipment of the Group as disclosed in Note 4(i),
(ii) Pledge of fixed deposits,
(iii) Joint and several guarantee by subsidiaries' directors,
(iv) Corporate guarantee of the Company, and
(v) Leased assets disclosed in Note 4(ii).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

17. **BORROWINGS (cont'd)**

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 one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2013						
Finance lease liabilities	**1.38 to 3.70**	**4,291,774**	**1,635,317**	**1,235,424**	**1,406,475**	**14,558**
Term loan	**5.10**	**93,721**	**29,970**	**31,535**	**32,216**	**-**
2012						
Bank overdrafts	8.60	115,778	115,778	-	-	-
Finance lease liabilities	1.38 to 3.75	1,937,735	870,605	673,169	378,161	15,800
Term loan	4.60 to 7.48	649,241	141,074	150,418	273,576	84,173

18. **DEFERRED TAX LIABILITIES**

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Temporary differences on property, plant and equipment				
Balance at beginning	**1,039,000**	60,991	**-**	-
Acquired in business combination	**-**	811,756	**-**	-
Transfer from profit or loss	**310,000**	190,509	**-**	-
	1,349,000	1,063,256	**-**	-
Under/(Over) provision in prior year	**56,000**	(24,256)	**-**	-
Balance at end	**1,405,000**	1,039,000	**-**	-
Issuance of RCSLS				
Balance at beginning	**185,666**	-	**185,666**	-
Transfer from equity upon issuance of RCSLS	**-**	185,666	**-**	185,666
Redemption of RCSLS	**(185,666)**	-	**(185,666)**	-
Balance at end	**-**	185,666	**-**	185,666
Total deferred tax liabilities	**1,405,000**	1,224,666	**-**	185,666

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

19. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Ringgit Malaysia	**11,387,034**	10,144,323	**102,470**	102,470
US Dollar	**1,014,461**	2,118,407	**-**	-
Singapore Dollar	**1,158,871**	1,691,479	**-**	-
	13,560,366	13,954,209	**102,470**	102,470

The trade payables are non-interest bearing and is normally settled within **30 days to 60 days** (2012: 30 days to 60 days) credit terms.

Included in the Group's trade payables is an amount of **RM82,840** (2012: RM269,988) due to companies in which persons connected to certain directors of the Company have interest.

20. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Other payables	**984,473**	3,535,463	**8,748**	88,618
Accruals	**4,075,844**	2,935,078	**134,874**	116,073
Deposits received	**103,307**	111,107	**75,000**	75,000
Prepayments	**776,809**	2,044,254	**-**	-
	5,940,433	8,625,902	**218,622**	279,691

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Ringgit Malaysia	**5,806,572**	8,119,352	**218,622**	279,691
US Dollar	**102,319**	492,470	**-**	-
Singapore Dollar	**31,542**	14,080	**-**	-
	5,940,433	8,625,902	**218,622**	279,691

21. REVENUE

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Sale of goods	**143,462,597**	98,245,473	**-**	-
Rental income	**-**	152,000	**876,000**	2,172,960
Management fee	**-**	-	**720,000**	360,000
	143,462,597	98,397,473	**1,596,000**	2,532,960

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

22. OTHER INCOME

Included herein in the previous financial year were debts of the Group and of the Company amounting to RM17,588,602 and RM11,936,718 respectively waived by the banks pursuant to the implementation of the Company's Revised Restructuring Plan as approved by the relevant authorities in that year.

23. FINANCE COSTS

Interest expense on:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Bank overdrafts	**(2,661)**	(724,206)	**-**	(115,591)
Bankers acceptance	**(1,280)**	(1,128,858)	**-**	(1,017,917)
Term loans	**(25,649)**	(617,308)	**-**	(194,403)
Finance lease	**(191,029)**	(80,353)	**-**	(301)
Trust receipts	**-**	(32,187)	**-**	-
RCSLS (Note 15)	**(410,717)**	(492,371)	**(410,717)**	(492,371)
	(631,336)	(3,075,283)	**(410,717)**	(1,820,583)
Over provision of interest in prior years	**-**	17,837,237	**-**	9,849,995
	(631,336)	14,761,954	**(410,717)**	8,029,412

24. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
After charging:				
Audit fee				
- Statutory audit				
- current year	**96,000**	96,200	**25,000**	25,000
- over provision in prior year	**(2,000)**	(3,150)	**-**	(1,000)
- Other services	**32,500**	4,000	**32,500**	4,000
Bad debts	**-**	52,806	**7,014**	5,880
Depreciation	**5,099,962**	3,283,855	**467,455**	566,528
Directors' fee for non-executive directors	**132,000**	132,000	**132,000**	132,000
Impairment loss on inventories	**-**	562,605	**-**	-
Impairment loss on receivables	**801,616**	646,981	**-**	-
Investment in a subsidiary written off	**-**	-	**47,538**	-
Loss on disposal of property, plant and equipment	**-**	-	**22,664**	900
Property, plant and equipment written off	**58,804**	-	**-**	-
Realised loss on foreign exchange	**-**	230,746	**-**	-
Rental of machinery and equipment	**3,600**	15,795	**-**	-
Rental of premises	**320,241**	240,540	**-**	-
Share-based compensation pursuant to ESOS granted	**777,422**	1,495,043	**777,422**	1,495,043
* Staff costs	**23,258,394**	16,721,764	**1,056,878**	266,685
Unrealised loss on foreign exchange	**-**	304,574	**-**	18,754

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

24. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
After crediting:				
Deemed gain on deconsolidation of subsidiaries	**12,680**	-	**-**	-
Impairment loss on other receivables recovered	**196,921**	-	**-**	-
Gain on disposal of non-current assets held for sale	**-**	144,011	**-**	-
Gain on disposal of property, plant and equipment	**52,520**	109,328	**-**	-
Impairment loss on amount due from a subsidiary recovered	**-**	-	**10,000**	439,850
Interest income	**505,879**	141,230	**30,068**	29,609
Realised gain on foreign exchange	**9,050**	-	**-**	-
Rental income	**104,312**	185,400	**-**	-
Unrealised gain on foreign exchange	**175,218**	-	**-**	-
Waiver of debts by:				
- Financial institution creditors	**-**	17,588,602	**-**	11,936,718
- Others	**-**	-	**-**	45,000

* **Staff costs**				
- Wages, salaries, allowances bonus and incentive	**21,567,899**	15,541,915	**797,159**	166,000
- EPF	**1,373,611**	975,455	**88,697**	4,500
- SOCSO	**148,884**	108,394	**3,022**	185
- Fee	**168,000**	96,000	**168,000**	96,000
	23,258,394	16,721,764	**1,056,878**	266,685

Directors' remuneration

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Executive directors of the Company				
- Salaries, allowances, bonus and incentive	**1,156,098**	1,153,708	**559,000**	166,000
- EPF	**125,386**	76,214	**61,920**	4,500
- Fee	**168,000**	96,000	**168,000**	96,000
	1,449,484	1,325,922	**788,920**	266,500
Executive directors of subsidiaries				
- Salaries, allowances, bonus and incentive	**868,543**	829,333	**-**	-
- EPF	**81,816**	49,353	**-**	-
	950,539	878,686	**-**	-
Total executive directors' remuneration	**2,399,843**	2,204,608	**788,920**	266,500

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

24. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Analysed as:				
Present directors	**2,289,843**	2,204,608	**788,920**	266,500
Past director	**110,000**	-	**-**	-
	2,399,843	2,204,608	**788,920**	266,500

25. TAXATION

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Malaysian income tax:				
Based on results for the year				
- Current tax	**(2,631,118)**	(2,126,537)	**(52,000)**	-
- Deferred tax relating to the origination and reversal of temporary differences	**(310,000)**	(190,509)	**-**	-
	(2,941,118)	(2,317,046)	**(52,000)**	-
(Under)/Over provision in prior years				
- Current tax	**(310,479)**	15,397	**(343,914)**	-
- Deferred tax	**(56,000)**	24,256	**-**	-
	(366,479)	39,653	**(343,914)**	-
	(3,307,597)	(2,277,393)	**(395,914)**	-

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Profit/(Loss) before taxation	**8,817,044**	34,037,067	**(2,469,002)**	19,581,977
Income tax at Malaysian statutory tax rate of 25%	**(2,204,261)**	(8,509,267)	**617,251**	(4,895,494)
Income not subject to tax	**1,462,916**	4,397,692	**2,500**	3,105,392
Over provision of interest in prior years	**-**	4,004,892	**-**	2,130,521
Expenses not deductible for tax purposes	**(1,093,976)**	(1,643,963)	**(591,001)**	(583,430)
Utilisation of current year reinvestment allowance	**-**	179,148	**-**	-
Movements on net deferred tax assets not recognised	**(1,122,250)**	(794,057)	**(80,750)**	243,011
Reduced tax rate on first RM500,000 chargeable income of certain subsidiaries	**-**	50,000	**-**	-
Balance carried forward	**(2,957,571)**	(2,315,555)	**(52,000)**	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

25. **TAXATION (cont'd)**

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Balance brought forward	**(2,957,571)**	(2,315,555)	**(52,000)**	-
Different tax rate of a foreign subsidiary	**-**	(1,491)	**-**	-
* Change in tax rate	**16,453**	-	**-**	-
	(2,941,118)	(2,317,046)	**(52,000)**	-
(Under)/Over provision in prior years	**(366,479)**	39,653	**(343,914)**	-
	(3,307,597)	(2,277,393)	**(395,914)**	-

* The corporate tax rate will be reduced to 24% from the year of assessment 2016 as announced in the Malaysian Budget 2014. Consequently, recognised deferred tax liabilities are measured using this tax rate.

The deferred tax (assets)/liabilities not recognised as at the end of the reporting period prior to set-off are in respect of the following:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Property, plant and equipment	**5,546,000**	7,734,000	**(108,000)**	(164,000)
Unabsorbed tax losses	**(22,689,000)**	(22,689,000)	**-**	-
Unabsorbed capital allowances	**(7,432,000)**	(5,131,000)	**(379,000)**	-
Unabsorbed reinvestment allowance	**(15,458,000)**	(15,458,000)	**-**	-
Unabsorbed allowance for increased exports	**(504,000)**	(504,000)	**-**	-
	(40,537,000)	(36,048,000)	**(487,000)**	(164,000)

These unabsorbed tax losses and allowances are available for set off against future assessable income of the Company and the respective subsidiaries.

26. **EARNINGS PER SHARE**

26.1 **Basic**

The calculation of basic earnings per share was based on the profit attributable to owners of the parent and on the weighted average number of shares in issue during the year as follows:

	GROUP	
	2013	2012
	RM	RM
Profit for the year attributable to owners of the parent (RM)	**3,091,523**	30,225,859
Issued shares at beginning	**1,088,012,010**	61,183,000
Effects of:		
- Share split	**-**	183,549,000
- Shares issued pursuant to the implementation of the Company's Revised Restructuring Plan	**-**	476,285,308
- Share options on issue	**15,780,796**	3,442,347
- Shares issued pursuant to Private Placement with Warrants	**158,606,557**	-
Weighted average number of shares	**1,262,399,363**	724,459,655
Basic earnings per share (sen)	**0.24**	4.17

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

26. **EARNINGS PER SHARE (cont'd)**

26.2 **Diluted**

The calculation of diluted earnings per share was based on profit attributable to owners of the parent and on the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

	GROUP	
	2013	2012
	RM	RM
Profit for the year attributable to owners of the parent (RM)	**3,091,523**	30,225,859
Interest expense on RCSLS, net of tax (RM)	**410,717**	492,370
Adjusted profit for the year attributable to owners of the parent (diluted) (RM)	**3,502,240**	30,718,229
Weighted average number of shares in issue (basic)	**1,262,399,363**	724,459,655
Effects on conversion of:		
- ICULS	**188,000,000**	107,649,315
- RCSLS	**-**	99,085,151
- Warrants	**568,235,601**	252,858,507
- ESOS	**84,223,500**	5,615,005
Weighted average number of shares assumed to be in issue (diluted)	**2,102,858,464**	1,189,667,663
Diluted earnings per share (sen)	**0.17**	2.58

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 operations of the Group are organised into the following main business segments:

(i) Manufacturing — Manufacturing of precision plastic parts, sub-assembly, die-casting components and precision engineering works.

(ii) Others — Investment holding and inactive companies.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

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

By business segments

	Manufacturing		Others		Elimination			Total	
	2013	2012	**2013**	2012	**2013**	2012		**2013**	2012
	RM	RM	**RM**	RM	**RM**	RM	**Note**	**RM**	RM
Revenue									
External sales	**143,462,597**	98,245,473	**-**	152,000	**-**	-		**143,462,597**	98,397,473
Inter-segment sales	**17,199,577**	2,848,470	**2,258,607**	3,662,370	**(19,458,184)**	(6,510,840)	**A**	**-**	-
Total revenue	**160,662,174**	101,093,943	**2,258,607**	3,814,370	**(19,458,184)**	(6,510,840)		**143,462,597**	98,397,473
Results									
Segment results	**10,721,226**	13,663,455	**(1,635,721)**	35,395,686	**(143,004)**	(401,350)		**8,942,501**	48,657,791
Interest income	**475,738**	111,351	**30,141**	29,879	**-**	-		**505,879**	141,230
Interest expense	**(220,619)**	(3,647,506)	**(410,717)**	(11,114,448)	**-**	-		**(631,336)**	(14,761,954)
Taxation	**(2,823,136)**	(2,247,390)	**(484,461)**	(30,003)	**-**			**(3,307,597)**	(2,277,393)
Profit/(Loss) for the year	**8,153,209**	7,879,910	**(2,500,758)**	24,281,114	**(143,004)**	(401,350)		**5,509,447**	31,759,674
Assets									
Segment assets	**115,127,058**	92,998,892	**154,254,902**	160,880,416	**(126,293,750)**	(116,371,593)		**143,088,210**	137,507,715
Tax recoverable	**106,035**	218,750	**6,546**	26,097	**-**	-		**112,581**	244,847
Fixed deposits with licensed banks	**4,829,393**	3,936,116	**29,900**	29,900	**-**	-		**4,859,293**	3,966,016
Cash and bank balances	**28,772,802**	15,888,519	**667,302**	3,351,023	**-**	-		**29,440,104**	19,239,542
Total assets	**148,835,288**	113,042,277	**154,958,650**	164,287,436	**(126,293,750)**	(116,371,593)		**177,500,188**	160,958,120
Liabilities									
Segment liabilities	**23,947,902**	71,742,201	**7,872,539**	51,201,686	**(12,319,642)**	(83,158,533)		**19,500,799**	39,785,354
Deferred tax liabilities	**1,405,000**	1,039,000	**-**	185,666	**-**	-		**1,405,000**	1,224,666
Borrowings	**4,385,495**	2,702,754	**-**	-	**-**	-		**4,385,495**	2,702,754
Provision for taxation	**489,168**	1,103,815	**99,505**	130,094	**-**	-		**588,673**	1,233,909
Total liabilities	**30,227,565**	76,587,770	**7,972,044**	51,517,446	**(12,319,642)**	(83,158,533)		**25,879,967**	44,946,683
Other information									
Addition to non-current assets	**11,721,546**	14,395,621	**-**	27,129,268	**-**	(174,000)	**B**	**11,721,546**	41,350,889
Depreciation	**4,239,350**	2,258,044	**860,612**	1,025,811	**-**	-		**5,099,962**	3,283,855
Non-cash (income)/expenses other than depreciation	**610,018**	(11,209,468)	**787,406**	(21,440,321)	**-**	32,620	**C**	**1,397,424**	(32,617,169)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

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

Notes to segment information:

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consists of total cost incurred during the financial year to acquire property, plant and equipment and goodwill arising from the acquisition of subsidiaries.

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

	2013	2012
	RM	RM
Bad debts	**-**	52,806
Deemed gain on deconsolidation of subsidiaries	**(12,680)**	-
Gain on disposal of property, plant and equipment	**(52,520)**	(109,328)
Gain on disposal of non-current assets held for sale	**-**	(144,011)
Impairment loss on other receivables	**-**	646,981
Impairment loss on trade receivables	**801,616**	-
Impairment loss on inventories	**-**	562,605
Property, plant and equipment written off	**58,804**	-
Over provision of interest in prior years	**-**	(17,837,237)
Share-based compensation pursuant to ESOS granted	**777,422**	1,495,043
Unrealised (gain)/loss on foreign exchange	**(175,218)**	304,574
Waiver of debts	**-**	(17,588,602)
	1,397,424	(32,617,169)

Information about major customers

Total revenue from major customers which individually contributed more than 10% of Group's revenue amounted to **RM44,943,268** (2012: RM23,008,469), arising from its manufacturing segment.

By geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The Group's non-current assets are maintained entirely in Malaysia.

	Revenue		**Non-current assets**	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Malaysia	**121,636,055**	89,138,868	**94,382,291**	87,988,037
Australia	**2,045,247**	58,113	**-**	-
United Kingdom	**4,168,243**	164,268	**-**	-
Singapore	**14,579,740**	7,531,091	**-**	-
Other countries	**1,033,312**	1,505,133	**-**	-
	143,462,597	98,397,473	**94,382,291**	87,988,037

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

28. CONTINGENT LIABILITIES (UNSECURED)

28.1 Corporate Guarantee

The Company has issued corporate guarantees to banks and financial institutions for banking facilities and finance lease facilities granted to certain subsidiaries up to a limit of **RM7,058,690** (2012: RM4,000,000).

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the banks' and financial institutions' requirement of the parent guarantee as a pre-condition for approving the credit facilities granted to the subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

28.2 Litigation

A former employee of a subsidiary, Winco Precision Engineering (Melaka) Sdn. Bhd. ("WPESB") filed a claim against WPESB for wrongful dismissal on 30 March 2009. The estimated payout is RM236,775 should the claim be successful. As at the date of this report, both parties have filed their Written Submissions and are awaiting the Court's Award. The legal counsel of WPESB is of the opinion that based on the authorities which have been previously decided by the Court, WPESB has a fair chance in this matter and accordingly no provision for any liability has been made in the financial statements during the financial year.

29. CAPITAL COMMITMENTS

	GROUP	
	2013	2012
	RM	RM
Authorised and contracted for:		
- Property, plant and equipment	**788,400**	1,859,519

30. RELATED PARTY DISCLOSURES

30.1 Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and to the Company, if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making any financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The Group has related party relationship with its subsidiaries and key management personnel.

30. **RELATED PARTY DISCLOSURES (cont'd)**

30.2 **Related party transactions**

		GROUP		COMPANY	
		2013	2012	**2013**	2012
		RM	RM	**RM**	RM
	Rental income from a subsidiary				
	- Luster Precision Engineering Sdn. Bhd.	**-**	-	**576,000**	1,872,960
	- Exzone Plastics Manufacturers Sdn. Bhd.	**-**	-	**300,000**	150,000
	Management fee charged to a subsidiary				
	- Luster Precision Engineering Sdn. Bhd.	**-**	-	**240,000**	120,000
	- Exzone Plastics Manufacturers Sdn. Bhd.	**-**	-	**240,000**	120,000
	- Winco Precision Engineering (Melaka) Sdn. Bhd.	**-**	-	**240,000**	120,000
	Sale of property, plant and equipment to a subsidiary				
	- Exzone Plastics Manufacturers Sdn. Bhd.	**-**	-	**-**	41,318
	- Luster Precision Engineering Sdn. Bhd.	**-**	-	**-**	4,800
	Purchase from related parties in which certain directors of the Company, Mr. Lim See Chea and Mr. Lim See Hua are deemed to have substantial financial interests				
	- Premierpath Sdn. Bhd.	**7,126**	3,510	**-**	-
	- PT Wang Sarimulti Utama	**58,636**	497,811	**-**	-
	- Durachem (Penang) Sdn. Bhd.	**232,858**	69,791	**-**	-
*	- Exzone Plastics Manufacturers Sdn. Bhd.	**-**	76,448	**-**	-
	- LST Venture Sdn. Bhd.	**26,500**	357,188	**-**	-
	- Gem Spektra Sdn. Bhd.	**233,248**	14,274	**-**	-
	Purchases from a related party in which a director of a subsidiary, Mr. Tan Kim Cheang is deemed to have substantial financial interest				
	- Shun Fa Sdn. Bhd.	**139,070**	8,400	**-**	-
	Purchase from a related party in which persons connected to a director of a subsidiary, Mr. Goh Hooi Yeong have substantial financial interests				
	- Yew Lean Plastic Manufacturing & Trading Sdn. Bhd.	**-**	50,386	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

30. **RELATED PARTY DISCLOSURES (cont'd)**

30.2 **Related party transactions (cont'd)**

		GROUP		COMPANY	
		2013	2012	**2013**	2012
		RM	RM	**RM**	RM
	Sales to a related party in which certain directors of the Company, Mr. Lim See Chea and Mr. Lim See Hua are deemed to have substantial financial interests				
*	- Exzone Plastics Manufacturers Sdn. Bhd.	**-**	276,584	**-**	-
	- Gem Spektra Sdn. Bhd.	**246**	62	**-**	-
	Subcontract fee charge by a related party in which certain directors of the Company, Mr. Lim See Chea and Mr. Lim See Hua are deemed to have substantial financial interests				
	- Gem Spektra Sdn. Bhd.	**7,683**	-	**-**	-

* Exzone Plastics Manufacturers Sdn. Bhd. ("EPMSB") became a subsidiary of the Company subsequent to the Company's acquisition of 50.13% equity interest in EMPSB on 12 June 2012.

30.3 **Compensation of key management personnel**

The Group and the Company have no other members of key management personnel apart from the Board of Directors of the Company and of the subsidiaries, which their compensation is shown in Note 24.

31. **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			
2013			
Financial assets			
Trade receivables	**31,736,092**	**31,736,092**	**-**
Other receivables and refundable deposits	**1,758,411**	**1,758,411**	**-**
Fixed deposits with licensed banks	**4,859,293**	**4,859,293**	**-**
Cash and bank balances	**29,440,104**	**29,440,104**	**-**
	67,793,900	**67,793,900**	**-**
Financial liabilities			
Borrowings	**4,385,495**	**-**	**4,385,495**
Trade payables	**13,560,366**	**-**	**13,560,366**
Other payables and accruals	**5,163,624**	**-**	**5,163,624**
	23,109,485	**-**	**23,109,485**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

31. CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

	Carrying amount RM	L&R RM	FL RM
2012			
Financial assets			
Trade receivables	34,715,278	34,715,278	-
Other receivables and refundable deposits	1,543,454	1,543,454	-
Fixed deposits with licensed banks	3,966,016	3,966,016	-
Cash and bank balances	19,239,542	19,239,542	-
	59,464,290	59,464,290	-
Financial liabilities			
Redeemable convertible secured loan stocks	17,205,243	-	17,205,243
Borrowings	2,702,754	-	2,702,754
Trade payables	13,954,209	-	13,954,209
Other payables and accruals	6,581,648	-	6,581,648
	40,443,854	-	40,443,854
COMPANY			
2013			
Financial assets			
Refundable deposits	**293,450**	**293,450**	**-**
Amount due from subsidiaries	**1,500,566**	**1,500,566**	**-**
Fixed deposit with a licensed bank	**29,900**	**29,900**	**-**
Cash and bank balances	**518,057**	**518,057**	**-**
	2,341,973	**2,341,973**	**-**
Financial liabilities			
Trade payables	**102,470**	**-**	**102,470**
Other payables and accruals	**218,622**	**-**	**218,622**
Amount due to subsidiaries	**5,540,046**	**-**	**5,540,046**
	5,861,138	**-**	**5,861,138**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

31. **CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)**

	Carrying amount RM	L&R RM	FL RM
2012			
Financial assets			
Refundable deposits	293,450	293,450	-
Amount due from subsidiaries	70,768,197	70,768,197	-
Fixed deposit with a licensed bank	29,900	29,900	-
Cash and bank balances	1,584,138	1,584,138	-
	72,675,685	72,675,685	-
Financial liabilities			
Redeemable convertible secured loan stocks	17,205,243	-	17,205,243
Trade payables	102,470	-	102,470
Other payables and accruals	279,691	-	279,691
Amount due to subsidiaries	5,240,046	-	5,240,046
	22,827,450	-	22,827,450

32. **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 and the Company's policy is not to engage in speculative activities.

32.1 **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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

32. **FINANCIAL RISK MANAGEMENT (cont'd)**

32.1 **Credit risk (cont'd)**

32.1.1 **Trade receivables**

The Group extends to existing customers credit terms that range from **30 to 120 days** (2012: 30 to 120 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's exposure to bad debts is not significant.

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

	Gross RM	Impairment loss RM	Net RM
GROUP			
2013			
Not past due	**21,561,340**	**-**	**21,561,340**
1 to 60 days past due	**8,688,261**	**-**	**8,688,261**
61 to 120 days past due	**420,621**	**-**	**420,621**
Past due more than 120 days	**2,272,611**	**(1,206,741)**	**1,065,870**
	11,381,493	**(1,206,741)**	**10,174,752**
	32,942,833	**(1,206,741)**	**31,736,092**
2012			
Not past due	25,859,935	-	25,859,935
1 to 60 days past due	6,844,863	-	6,844,863
61 to 120 days past due	602,423	-	602,423
Past due more than 120 days	2,164,315	(756,258)	1,408,057
	9,611,601	(756,258)	8,855,343
	35,471,536	(756,258)	34,715,278

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 **RM10,174,752** (2012: RM8,855,343) 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 **3** (2012: 1) customers representing **59%** (2012: 30%) of the total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

32. FINANCIAL RISK MANAGEMENT (cont'd)

32.1 Credit risk (cont'd)

32.1.2 Intercompany balances

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

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.

32.1.3 Financial guarantees

The Company provides unsecured financial guarantees to banks and financial institutions in respect of credit facilities granted to certain subsidiaries as disclosed in Note 28.1. 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 any subsidiaries would default on repayment.

32.2 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's exposure to liquidity risk arises principally from its various payables and loans and borrowings. 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 flow RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2013						
Interest bearing borrowings	**4,385,495**	**4,816,596**	**1,894,550**	**1,397,616**	**1,509,813**	**14,607**
Trade payables	**13,560,366**	**13,560,366**	**13,560,366**	**-**	**-**	**-**
Other payables and accruals	**5,163,624**	**5,163,624**	**5,163,624**	**-**	**-**	**-**
	23,109,485	**23,540,586**	**20,618,540**	**1,397,616**	**1,509,813**	**14,607**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

32. **FINANCIAL RISK MANAGEMENT (cont'd)**

32.2 **Liquidity risk (cont'd)**

	Carrying amount RM	Contractual cash flow RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
2012						
Redeemable convertible secured loan stocks	17,205,243	20,590,028	4,476,093	4,297,049	11,816,886	-
Interest bearing borrowings	2,702,754	2,949,580	1,246,907	887,554	705,064	110,055
Trade payables	13,954,209	13,954,209	13,954,209	-	-	-
Other payables and accruals	6,581,648	6,581,648	6,581,648	-	-	-
	40,443,854	44,075,465	26,258,857	5,184,603	12,521,950	110,055
COMPANY						
2013						
Trade payables	**102,470**	**102,470**	**102,470**	**-**	**-**	**-**
Other payables and accruals	**218,622**	**218,622**	**218,622**	**-**	**-**	**-**
Amount due to subsidiaries	**5,540,046**	**5,540,046**	**5,540,046**	**-**	**-**	**-**
	5,861,138	**5,861,138**	**5,861,138**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

32. **FINANCIAL RISK MANAGEMENT (cont'd)**

32.2 **Liquidity risk (cont'd)**

	Carrying amount RM	Contractual cash flow RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
2012						
Redeemable convertible secured loan stocks	17,205,243	20,590,028	4,476,093	4,297,049	11,816,886	-
Trade payables	102,470	102,470	102,470	-	-	-
Other payables and accruals	279,691	279,691	279,691	-	-	-
Amount due to subsidiaries	5,240,046	5,240,046	5,240,046	-	-	-
	22,827,450	26,212,235	10,098,300	4,297,049	11,816,886	-

32.3 **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 and the Company's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

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

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Fixed rate instruments				
Financial assets	**4,859,293**	3,966,016	**29,900**	29,900
Financial liabilities	**4,219,774**	19,142,978	**-**	17,205,243
Floating rate instruments				
Financial assets	**17,430,774**	7,637,436	**-**	-
Financial liabilities	**93,721**	765,019	**-**	-

Fair value 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 taxation by **RM37,963** (2012: RM1,990) and a decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2013

32. FINANCIAL RISK MANAGEMENT (cont'd)

32.4 Foreign currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currency of the Company. The Group and the Company also hold cash and bank balances denominated in foreign currencies for working capital purposes.

The currencies giving rise to this risk are primarily US Dollar ("USD"), Australian Dollar ("AUD") and Singapore Dollar ("SGD").

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

	Denominated in			
	USD	**AUD**	**SGD**	**OTHERS**
	RM	**RM**	**RM**	**RM**
GROUP				
2013				
Trade receivables	**2,815,969**	**-**	**1,553,216**	**1,408**
Cash and bank balances	**701,049**	**-**	**2,683,922**	**22**
Trade payables	**(1,014,461)**	**-**	**(1,158,871)**	**-**
Other payables	**(102,319)**	**-**	**(31,542)**	**-**
Net exposure	**2,400,238**	**-**	**3,046,725**	**1,430**
2012				
Trade receivables	1,565,075	91,559	1,933,640	1,726
Other receivables	1,670,141	-	-	46,932
Cash and bank balances	637,169	-	1,994,834	7,782
Trade payables	(2,118,407)	-	(1,691,479)	-
Other payables	(492,470)	-	(14,080)	-
Net exposure	1,261,508	91,559	2,222,915	56,440
COMPANY				
2013				
Cash and bank balances	**117**	**-**	**1,017**	**22**
2012				
Cash and bank balances	7,272	-	2,152	22

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

32. **FINANCIAL RISK MANAGEMENT (cont'd)**

32.4 **Foreign currency risk (cont'd)**

Sensitivity analysis for foreign currency risk

Below 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 and the Company's profit before taxation. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have reduced profit before taxation by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	GROUP		**COMPANY**	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
USD	**(240,024)**	(126,151)	**(12)**	(727)
AUD	**-**	(9,156)	**-**	-
SGD	**(304,673)**	(222,292)	**(102)**	(215)
Other currencies	**(143)**	(5,644)	**(2)**	(2)
Decrease in profit before taxation	**(544,840)**	(363,243)	**(116)**	(944)

33. **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. There were no changes in the Group's approach to capital management during the financial year.

34. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

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.

35. **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, and the ESOS will be in force for duration of five years expiring on 14 June 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2013

35. **EMPLOYEE SHARE OPTION SCHEME ("ESOS") (cont'd)**

(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.

The details of the outstanding share options for ordinary shares of RM0.10 each granted to the Group's employees and directors and its related exercise price are as follows:

		Number of Share Options				
Grant date	**Exercise price RM**	**Balance at 1.1.13**	**Granted and Accepted**	**Exercised**	**Resigned**	**Balance at 31.12.13**
15.6.12	0.10	116,839,000	-	(28,918,500)	(3,697,000)	84,223,500

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 **RM0.16** (2012: RM0.11).

The fair value of the share options granted during the period was RM0.02 and was 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 model used for the fair value of share options granted on 15 June 2012:

Weighted average share price (RM)	0.08
Weighted average exercise price (RM)	0.10
Expected volatility (%)	30.00
Risk-free rate (%)	3.21
Expected life (years)	4.44

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.

36. **EVENT AFTER THE REPORTING PERIOD**

On 24 February 2014, Luster Precision Engineering Sdn. Bhd. ("LPE") acquired 2 ordinary shares of RM1 each in Pembinaan LSP Jaya Sdn. Bhd. ("PLSP"), a property developer for a total cash consideration of RM2, representing 100% equity interest in PLSP.

Subsequent to this acquisition, LPE and Winco Precision Engineering (Melaka) Sdn. Bhd. ("WPE") entered into a Shareholders' Agreement with Odemax Development Sdn. Bhd. ("Odemax") on 3 March 2014 to subscribe additional shares in PLSP. According to the Shareholders' Agreement, Odemax's shareholdings at all times shall represent 40% of the total issued paid up capital of PLSP whilst the balance of 43% and 17% are to be maintained by LPE and WPE respectively. The Group's portion of the additional investment in PLSP pursuant to the Shareholders' Agreement amounted to RM7,200,000 and is payable from time to time as and when the funding requirement is needed by PLSP. As at the date of this report, the Group has paid RM4,478,200.

On even date, PLSP and Odemax entered into a Deed of Assignment whereby Odemax assigns the benefits and obligations of certain development projects to PLSP upon the terms and conditions in the Deed of Assignment. In addition, Odemax will provide its expertise and technical knowledge in project management and development of the projects whilst LPE and WPE will provide the funds for the development of the projects.

SUPPLEMENTARY INFORMATION

37. **DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)**

The breakdown of accumulated losses of the Group and of the Company as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad and Guidance on Special Matter No. 1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants are as follows:

	GROUP		**COMPANY**	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Total accumulated losses of the Company and its subsidiaries:				
- Realised	**(7,265,730)**	(7,881,984)	**(16,792,232)**	(13,722,896)
- Unrealised	**(1,229,782)**	(1,529,240)	**-**	(204,420)
	(8,495,512)	(9,411,224)	**(16,792,232)**	(13,927,316)
Less: Consolidation adjustments	**(10,902,275)**	(13,078,086)	**-**	-
Total accumulated losses as per statements of financial position	**(19,397,787)**	(22,489,310)	**(16,792,232)**	(13,927,316)

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 @ 31.12.2013 RM
Lot 58 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	10,522	6,386	Leasehold period for 60 years expire on 2050	1991 22	1,443,480
Lot 59 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	13,355	4,413	Leasehold period for 60 years expire on 2055	2000* 18	2,918,206
Lot 49 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	12,140	3,403	Leasehold period for 60 years expire on 2042	1994* 20	1,291,130
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* 31	4,529,722
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* 18	5,065,284
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* 18	2,240,767
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 2051	2008* 9	7,980,736
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* 9	8,294,415
Lot 38 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	130,680	88,075	Leasehold period for 60 years expire on 2050	2010* 29	5,886,054
Lot 21 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	7,458	7,455	Leasehold period for 60 years expire on 2044	2010* 29	328,483
PN20177 & PN20178 Lot 4876 & 4877 Mukim Cheng District of Melaka Tengah 75250 Melaka MELAKA	Leasehold Land & Factory Building	2,092	1,499	Leasehold period for 99 years expire on 2096	2010* 8	1,391,213
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* 5	1,498,335
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 3	225,764

ANALYSIS OF SHAREHOLDINGS
AS AT 16 MAY 2014

Authorised Share Capital	:	RM250,000,000.00
Issued and fully paid-up Share Capital	:	RM138,697,551.00
Class of Shares	:	Ordinary Shares of RM0.10 each fully paid
Voting Rights	:	On show of hands - one vote for every shareholder On a poll - One vote for every ordinary share held

ANALYSIS OF SHAREHOLDINGS AS AT 16 MAY 2014

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100 shares	54	0.81	1,882	-
100 to 1,000 shares	210	3.16	105,277	0.01
1,001 to 10,000 shares	1,086	16.35	7,765,582	0.56
10,001 to 100,000 shares	3,711	55.85	191,457,232	13.80
100,001 to less than 5% of issued shares	1,581	23.80	990,234,917	71.40
5% and above of issued shares	2	0.03	197,410,620	14.23
Total	**6,644**	**100**	**1,386,975,510**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 16 MAY 2014

	<-------------------------Number of Shares Held------------------------->			
Name	**Direct**	**%**	**Deemed**	**%**
Lim See Chea	67,488,857	4.87	4,638,885*	0.33
Lim See Meng	83,359,400	6.01	128,800®	0.01
Wee Song He, Wilson	114,051,220	8.22	-	-

* *Deemed interested by virtue of his shareholdings of more than 15% equity interest in the Luster Holdings Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and the shares held by his child in the Company*

® *Held by spouse and child*

DIRECTORS' SHAREHOLDINGS AS AT 16 MAY 2014

	<-------------------------Number of Shares Held------------------------->			
Name	**Direct**	**%**	**Deemed**	**%**
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir	-	-	-	-
Lim See Chea	67,488,857	4.87	4,638,885*	0.33
Lim See Hua	2,330,450	0.17	-	-
Lau Theng Chim	-	-	-	-
Liang Wooi Gee	10,022,857	0.72	400	^
Ng Chin Nam	96	^	-	-
Mohamed Shukri Bin Mohamed Zain	-	-	-	-
Lim See Meng	83,359,400	6.01	128,800®	0.01
Wee Song He, Wilson	114,051,220	8.22	-	-

* *Deemed interested by virtue of his shareholdings of more than 15% equity interest in the Luster Holdings Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965 and the shares held by his child in the Company*

® *Held by spouse and child*

^ *Negligible*

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 16 MAY 2014

THIRTY LARGEST SHAREHOLDERS AS AT 16 MAY 2014

1.	WEE SONG HE, WILSON	113,051,220	8.15
2.	LIM SEE MENG	83,359,400	6.01
3.	PM NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA (B)	66,890,000	4,.82
4.	TAN KIM CHEANG	30,517,100	2.20
5.	SIA SZE KAI (XIE SIKAI)	20,674,390	1.49
6.	WEE CAI JUN, EUGENIA	19,636,490	1,42
7.	PUBLIC NOMINEES (TEMAPTAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YAP LIM YORK (E-IMO/BCM)	14,000,000	1.01
8.	LIANG WOOI GEE	10,000,000	0.72
9.	RHB NOMINEES (TEMAPTAN) SDN. BHD. PLEDGED SECURITEIS ACCOUNT FOR LIM TWEE YONG	9,000,000	0.65
10.	HWANGDBS INVESTMENT BANK BERHAD IVT (CEN)	8,620,000	0.62
11.	WEI YI	8,310,000	0.60
12.	LOO SOON KEAT	8,200,000	0.59
13.	OOI GENE HOCK	7,540,000	0.54
14.	OOI PEY WONG	7,540,000	0.54
15.	TAN KIM LIANG	7,400,000	0.53
16.	NG TENG YAU	7,150,000	0.52
17.	LIM SIEW LEE	6,000,000	0.43
18.	PM NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN (B)	6,000,000	0.43
19.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR NG TENG YOU (M52047)	5,100,000	0.37
20.	ONG BENG THEAM	5,020,000	0.36
21.	LIM SEE POOI	5,000,000	0.36
22.	GAN KIM HUAT	4,750,000	0.34
23.	LUSTER HOLDINGS SDN. BHD.	4,513,885	0.33
24.	CHOON NEE SIEW	4,500,000	0.32
25.	ZAIBIDI BIN MAHAMOD	4,500,000	0.32
26.	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN	4,000,051	0.29
27.	LOW HON KANG	4,000,000	0.29
28.	TAN CHIN CHON @ TAN CHIN CHOON	4,000,000	0.29
29.	ENG BACK SONG	3,900,000	0.28
30.	SEET CHENG KHIM	3,700,000	0.27
	TOTAL	486,872,536	35.09

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 16 MAY 2014

Total Number of Warrant A	:	441,594,505
Total Number of Warrant A Outstanding	:	441,594,505
Exercise Price Per Warrant A	:	RM0.10
Exercise Period of Warrant A	:	5 June 2012 to 3 June 2022
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for one (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 WARRANT A HOLDINGS AS AT 16 MAY 2014

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued capital
Less than 100 warrants	66	3.35	2,718	0
100 to 1,000 warrants	26	1.32	11,809	0
1,001 to 10,000 warrants	219	11.12	1,408,724	0.32
10,001 to 100,000 warrants	1,015	51.52	57,944,590	13.12
100,001 to less than 5% of issued shares	644	32.69	382,226,664	86.56
5% and above of issued shares	0	0	0	0
Total	**1,970**	**100.00**	**441,594,505**	**100.00**

DIRECTORS' WARRANT A HOLDINGS AS AT 16 MAY 2014

	<-------------------------Number of Shares Held------------------------->			
Name	**Direct**	**%**	**Deemed**	**%**
Liang Wooi Gee	5,714	^	-	-
Lim See Chea	149,714	0.03	2,350,970*	0.53
Lim See Hua	832,612	0.19	-	-
Ng Chin Nam	92	^	-	-

* *Deemed interested by virtue of his shareholdings of more than 15% equity interest in the Luster Holdings Sdn. Bhd. pursuant to Section 6A(4) of the Companies Act, 1965*

^ *Negligible*

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 16 MAY 2014

THIRTY LARGEST WARRANT A HOLDERS AS AT 16 MAY 2014

1.	CHOO POH TIT	8,096,100	1.83
2.	LIM GEOK ENG MARY	8,000,000	1.81
3.	KOIKE PRECISION SDN. BHD.	7,873,400	1.78
4.	SIM SIEW TUAN	7,839,700	1.78
5.	AIBB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM GEOK ENG MARY	7,400,000	1.68
6.	CIMSEC NOMINEES (ASING) SDN. BHD. CIMB BANK FOR LIM GEOK ENG MARY (MY0955)	7,000,000	1.59
7.	TA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN ANN GEE	7,000,000	1.59
8.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TIONG ING PING (ET)	6,100,000	1.38
9.	PM NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN (B)	5,500,000	1.25
10.	TAN HAN CHONG	5,500,000	1.25
11.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEONARD JOHN D'CRUZ (029)	5,000,000	1.13
12.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ONG ENG TIONG (001)	4,000,000	0.91
13.	LIM KING KING	4,000,000	0.91
14.	TAN CHEE TAT	4,000,000	0.91
15.	LIM HOCK AUN	3,750,000	0.85
16.	LIMA CORPORATION SDN. BHD.	3,484,700	0.79
17.	WANG CHOON YAP	3,000,000	0.68
18.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHOO POH TIT (PENANG-CL)	2.,831,000	0.64
19.	POO AH MOI	2,800,000	0.63
20.	LEE KOK PENG	2,790,000	0.63
21.	SSF VENTURE SDN. BHD.	2,600,000	0.59
22.	KOH CHIN LIANG	2,576,600	0.58
23.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. KOH CHIN LIANG	2,390,000	0.54
24.	LUSTER HOLDINGS SDN. BHD.	2,350,970	0.53
25.	NOR IHSAN BINTI ISMAIL	2,331,800	0.53
26.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. LEE KOK TAH	2,320,000	0.53
27.	TANG KONG MENG	2,250,000	0.51
28.	BEH POH EIM	2,237,900	0.51
29.	ISMAIL BIN ABDUL RAHMAN	2,200,000	0.50
30.	LIM CHEW MING	2,050,000	0.46
	TOTAL	**129,272,170**	**29.30**

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 16 MAY 2014

Total Number of Warrant B	:	216,000,000
Total Number of Warrant B Outstanding	:	216,000,000
Exercise Price Per Warrant B	:	RM0.10
Exercise Period of Warrant 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 one (1) new LIB Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.

ANALYSIS OF WARRANT B HOLDINGS AS AT 16 MAY 2014

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued capital
Less than 100 warrants	0	0	0	0
100 to 1,000 warrants	43	4.56	35,900	0.02
1,001 to 10,000 warrants	49	5.19	387,100	0.18
10,001 to 100,000 warrants	520	55.08	31,691,500	14.67
100,001 to less than 5% of issued shares	332	35.17	183,885,500	85.13
5% and above of issued shares	0	0	0	0
Total	**944**	**100.00**	**216,000,000**	**100.00**

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 16 MAY 2014

THIRTY LARGEST WARRANT B HOLDERS AS AT 16 MAY 2014

1.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TIONG ING PING (ET)	7,800,000	3.61
2.	TAN TIAM YEE	6,100,000	2.82
3.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (REM 868-MARGIN)	4,100,000	1.90
4.	ABDUL HANIFF BIN SULAIMAN	3,500,000	1.62
5.	WAN MANSOR BIN WAN AHMAD	3,200,000	1.48
6.	MOHD ILHAM BIN ZULKIFLI	2,657,000	1.23
7.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. LEE KOK TAH	2,362,300	1.09
8.	ONG CHAI SI	2,327,400	1.08
9.	LOW LOONG KUAN	2,300,000	1.06
10.	NG TENG LAN	2,300,000	1.06
11.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. LIM SIEW INN	2,110,000	0.98
12.	LEE HEE HWAK	2,100,000	0.97
13.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR OW LAI KUEN (002)	2,000,000	0.93
14.	LIM SEE POOI	2,000,000	0.93
15.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PUA BEE KIM	2,000,000	0.93
16.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. KOH CHIN LIANG	2,000,000	0.93
17.	WONG MEI LAN	2,000,000	0.93
18.	HLIB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM WEI YUEN	1,998,500	0.93
19.	LIM CHUN GUIK	1,900,000	0.88
20.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. LEE SOON LONG	1,883,900	0.87
21.	CAROLINE GAN KE YIN	1,800,000	0.83
22.	CHEAH TEIK HOCK	1,800,000	0.83
23.	DAWNWAY LAU	1,800,000	0.83
24.	HLIB NOMINEES (TEMPATAN) SDN. BHD. HONG LEONG BANK BHD FOR TEE GIM YAW	1,729,000	0.80
25.	CHUAH CHIN CHYE	1,700,000	0.79
26.	LEE HEE HWAK	1,580,000	0.73
27.	KOH CHIN LIANG	1,500,000	0.69
28.	LEE YEE LONG	1,500,000	0.69
29.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. TEO HAP KIAT (T-LBU1025)	1,400,000	0.65
30.	NG PAH CHOR	1,350,000	0.63
	TOTAL	72,798,100	33.70

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 16 MAY 2014

NO. OF ICULS ORIGINAL ISSUES	:	RM18,800,000 nominal value
CONVERSION PRICE OF ICULS	:	At the rate of RM0.10 nominal value of the ICULS being converted into one (1) LIB Share credited as fully paid-up. The conversion price of RM0.10 was arrived at based on the par value of LIB Shares
CONVERSION PERIOD OF ICULS	:	The ICULS shall be convertible into new LIB Shares from the first day of the 2nd anniversary of listing of the ICULS up to convert such nominal value of the ICULS held into fully paid new LIB Shares at the Conversion Price
CONVERSION RIGHTS	:	Each registered holder of the ICULS shall have the right on the first day of the 2nd anniversary of the listing of the ICULS to convert such nominal value of the ICULS held into fully paid new LIB Shares at the Conversion Price Unless previously converted, the ICULS that remained outstanding until Maturity Date will automatically be converted into new LIB Shares on the day falling immediately after the Maturity Date

ANALYSIS OF ICULS HOLDINGS AS AT 16 MAY 2014

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued capital
Less than 100 warrants	0	0	0	0
100 to 1,000 warrants	84	58.74	9,700	0.01
1,001 to 10,000 warrants	8	5.59	43,100	0.02
10,001 to 100,000 warrants	22	15.38	1,194,300	0.64
100,001 to less than 5% of issued shares	23	16.08	7,731,300	4.11
5% and above of issued shares	6	4.20	179,021,600	95.22
Total	**143**	**100.00**	**188,000,000**	**100.00**

DIRECTORS' ICULS HOLDINGS AS AT 16 MAY 2014

	<--------------------------Number of Shares Held-------------------------->			
Name	**Direct**	**%**	**Deemed**	**%**
Lim See Chea	64,812,600	34.47	-	-
Lim See Meng	39,340,600	20.92	2,300®	^

® *Held by spouse*
^ *Negligible*

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 16 MAY 2014

THIRTY LARGEST ICULS HOLDERS AS AT 16 MAY 2014

1.	PM NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA (B)	64,812,600	34.47
2.	LIM SEE MENG	39,340,600	20.93
3.	KRISHNA BHATT @ ACHONG	27,183,800	14.46
4.	TAN KIM CHEANG	18,684,600	9.94
5.	ONG CHUN HIONG	15,000,000	7.98
6.	LIEW CHAI YEE	14,000,000	7.45
7.	LAI WENG CHEE @ LAI KOK CHYE	700,000	0.37
8.	KOAY HOCK SING	600,000	0.32
9.	HDM NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR KWOK LAI FONG EVANGELINE	500,000	0.27
10.	JERUSHA TAN LIN EN	500,000	0.27
11.	LEE KIM CHIN	500,000	0.27
12.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAI WENG CHEE @ LAI KOK CHYE	500,000	0.27
13.	PUBLIC INVEST NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	500,000	0.27
14.	YING PUI SUNG	500,000	0.27
15.	CHUE MEI LING	400,000	0.21
16.	HDM NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR LO CHOW YONG SERENA	400,000	0.21
17.	CIMSEC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	377,000	0.20
18.	HLIB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEE ENG MIN (CCTS)	345,100	0.18
19.	PANG KIM PIAW	250,000	0.13
20.	LIM SOON BENG	200,000	0.11
21.	PEK KEM HUA @ PEK KIM CHENG	200,000	0.11
22.	RHB NOMINEES (ASING) SDN. BHD. DMG & PARTNERS SECURITIES PTE LTD FOR KAM YAT TIN (J2-522259)	200,000	0.11
23.	YEO CHIN CHEN	200,000	0.11
24.	TAN SWEE FONG	167,300	0.09
25.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR JENNY CHAN YIN LAI	163,900	0.09
26.	YAP YOK FOO	150,000	0.08
27.	NG SIEW FONG	140,000	0.07
28.	CHAN KIM HOON	128,000	0.07
29.	RHB NOMINEES (TEMPATAN) SDN. BHD. RHB ASSETS MANAGEMENT SDN. BHD. FOR CHONG KOK SOON	110,000	0.06
30.	LOW CHIN SIN	100,000	0.05
	TOTAL	**186,852,900**	**99.39**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of the Company will be held at Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Monday, 23 June 2014 at 11:00 a.m. for the following purposes:-

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AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2013 together with the Auditors' Report thereon.
   Please refer to the Explanatory Notes

2. To approve the payment of Directors' fees of RM300,000 for the financial year ended 31 December 2014. **Resolution 1**

3. To re-elect Mr Lim See Chea who retire in accordance with Article 133 of the Company's Articles of Association. **Resolution 2**

4. To re-elect Mr Lim See Hua who retire in accordance with Article 133 of the Company's Articles of Association. **Resolution 3**

5. To re-elect Mr Lau Theng Chim who retire in accordance with Article 133 of the Company's Articles of Association. **Resolution 4**

6. To re-appoint Messrs Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**

   As special business :
   To consider and if thought fit, to pass with or without modifications the following as Ordinary Resolution:-

7. **AUTHORITY TO ISSUE SHARES**

   "THAT pursuant to Section 132D of the Companies Act, 1965, 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 issued share capital 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." **Resolution 6**

8. To transact any other business of which due notices shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,

Chee Wai Hong (BC/C/1470)
Hing Poe Pyng (MAICSA 7053526)
Company Secretaries
Penang
Date: 30 May 2014

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member shall be entitled to appoint up to (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, 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 forty-eight (48) hours before the time appointed for holding the meeting.

4. If the appointor is a corporation, this 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 Article 80(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 13 June 2014 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.

Explanatory Notes

Item 1 of the Agenda
To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.

This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Explanatory Notes on Special Business

Resolution 6 – Authority to issue shares
Renewal of authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965
Subject to exceptions provided in the Companies Act, 1965, the Directors would have to call for a general meeting to approve the issue of new shares eventhough the number involved is less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to an amount not exceeding in total 10% of the issue share capital of the Company for the time being, for such purpose as they consider would be in the interest of the Company.

The Company has not issued any new shares pursuant to Section 132D of the Companies Act, 1965 under the general authority which was approved at the Twenty-Sixth AGM held on 28 June 2013 and which will lapse at the conclusion of the Twenty-Seventh AGM to be held on 23 June 2014. A renewal of this authority is being sought at the Twenty-Seventh AGM under proposed 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).

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.

PROXY FORM

* I/We ....

(Full Name in Block Letters)

of ....

(Address)

being a * member/members of the abovenamed Company, hereby appoint ....

....

(Full Name in Block Letters)

of ....

(Address)

or failing him, ...

(Full Name in Block Letters)

of ....

(Address)

as * my / our proxy to vote for * me / us on * my / our behalf at the Twenty-Seventh Annual General Meeting of the Company to be held at Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Monday, 23 June 2014 at 11:00 a.m. and any adjournment thereof.

AGENDA

1.	To receive the Audited Financial Statements for the year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.		
Resolutions		**For**	**Against**
<u>Ordinary Business:</u>			
2.	Approval of payment of Directors' fees for the financial year ended 31 December 2013.		
3.	Re-election of Mr Lim See Chea as Director.		
4.	Re-election of Mr Lim See Hua as Director.		
5.	Re-election of Mr Lau Theng Chim as Director.		
6.	Re-appointment of Messrs Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration.		
<u>Special Business:</u>			
7.	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares.		

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

Signed this .... day of .... , 2014.

....

Signature of Member(s)

Notes:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member shall be entitled to appoint up to (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, 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 forty-eight (48) hours before the time appointed for holding the meeting.
4. If the appointor is a corporation, this 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 Article 80(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 13 June 2014 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.

Please fold here to seal

Stamp

To,

The Company Secretaries
LUSTER INDUSTRIES BHD. (156148P)
51-13-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

Please fold here to seal

LUSTER INDUSTRIES BHD (156148-P)

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Kawasan Perusahaan Sungai Petani
08000 Sungai Petani, Kedah Darul Aman,
Malaysia.

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