



Annual Report





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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

Secretary

Chee Wai Hong (BC/C/1470)

Registered Office

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

Business Address

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

Auditors

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

Solicitors

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

Bankers

Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
Amlslamic Bank Berhad
Bank Islam 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 : 04-228 2321
Fax : 04-227 2391

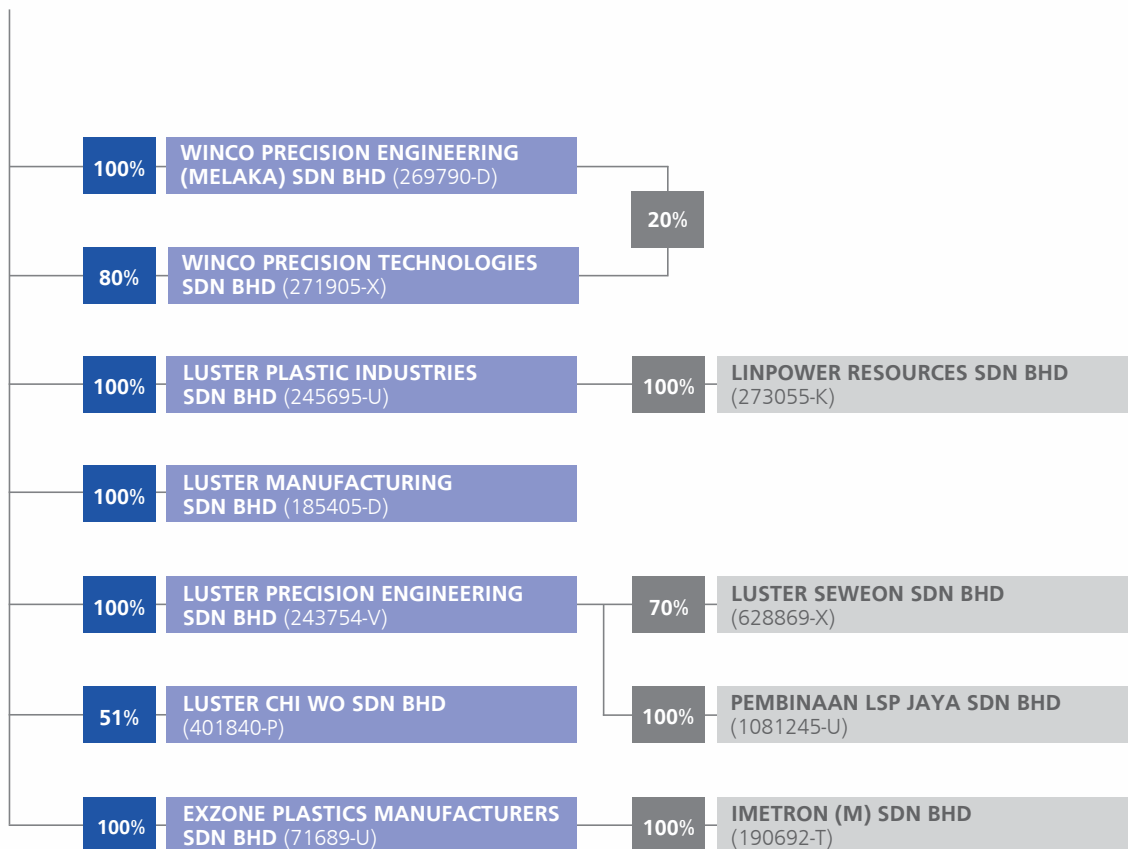
Stock Exchange Listing

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

GROUP STRUCTURE



LUSTER INDUSTRIES BHD
(156148-P)



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 2014.

Year 2014 has been a very challenging and eventful year for us, one with new business partners and opportunities and continuous improvement in operational efficiency. Notwithstanding the slower demand from the customers in the electronic and automotive sectors, the Group has managed to secure few new projects towards the end of FYE 31 December 2014. The Group also managed to move into ODM ("Original Design Manufacturer") with one successful product co-developed with the hygiene products customer.

The Group had recorded revenue and profit before taxation of RM101.6 million and RM1.7 million respectively in FYE 31 December 2014 as compared to revenue and profit before taxation of RM143.5 million and RM8.8 million respectively in FYE 31 December 2013. This was mainly due to the lower demand from the customers in the electronic and automotive sectors.

Corporate event review

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

1. On 24 February 2014, the Board announced that its wholly-owned subsidiary, Luster Precision Engineering Sdn Bhd ("LPE") acquired the entire issued and paid-up share capital of Pembinaan LSP Jaya Sdn. Bhd. ("PLSP"), a private limited company incorporated in Malaysia under the Companies Act, 1965 on 19 February 2014,

with an authorised share capital of RM400,000.00 comprising of 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up, for a cash consideration of RM2.00 (the "Acquisition") from Puan Hasliza Binti Mat Hushin and Puan Farah Hasnina Binti Abd Hadi.

2. On 4 March 2014, the Board announced that its wholly-owned subsidiaries namely Luster Precision Engineering Sdn Bhd and Winco Precision Engineering (Melaka) Sdn Bhd entered into a shareholders agreement with Odemax Development Sdn Bhd ("Odemax") for the subscription of shares in Pembinaan LSP Jaya Sdn Bhd ("PLSP").

The Board had on the even date announced that Odemax and PLSP had entered into a deed of assignment pursuant to the said shareholders' agreement.

3. On 27 May 2014, the Board announced that, further to the announcement made on 4 March 2014, the party issuing the letter of award to Pembinaan LSP Jaya Sdn Bhd, a wholly-owned subsidiary of Luster Precision Engineering Sdn Bhd which in turn a wholly-owned subsidiary of the Company, is now changed to Koperasi Hartanah Malaysia Berhad (B-6-1337). The previous letter of award was rescinded and replaced with the new letter of award issued by Koperasi Hartanah Malaysia Berhad.

STATEMENT FROM THE CHAIRMAN (cont'd)

4. On 17 June 2014, the Board announced that the Company is proposing to undertake a Joint Venture of mining business between Venturian Minerals Sdn Bhd (722046-D) ("VMSB") and Linpower Resources Sdn Bhd ("LPR"), a wholly-owned subsidiary of Luster Plastic Industries Sdn Bhd ("LPI") which in turn is a wholly owned subsidiary of the company to establish the joint venture committee ("JVC") for the purpose of exploring and carrying out the mining of tin ore and any other minerals in the land known as Lot No. 4518, Kawasam Sg Senik, Mukim Tebak, Daerah Kemaman held under No. Pajakan: ML1/2011.

5. On 14 August 2014, the Board announced that the Company has entered into a Sale & Purchase Agreement with Mr. Teh Zhing Lee and Mr. Tai Keng Eng for the acquisition of the 2,575,000 ordinary shares of RM1.00 each, representing 40.87% equity interest in Exzone Plastics Manufacturers Sdn.Bhd. (Company No. 71689-U) ("Exzone") for a total cash consideration of Ringgit Malaysia Three Million (RM3,000,000.00) only.

On the even date, TA Securities had on behalf of the Board announced that the Company proposes to undertake the Proposed Private Placement of not more than ten percent (10%) of the issued and paid-up share capital of Luster.

6. On behalf of the Board, TA Securities had on 21 August 2014 announced that the additional listing application for the Proposed Private Placement has been submitted to Bursa Securities.

7. On 26 August 2014, TA Securities had on behalf of the Board announced that Bursa Securities had, vide its letter dated 26 August 2014 approved the application for the listing and quotation of 157,033,000 new Luster Shares to be issued pursuant to the Proposed Private Placement, subject to certain conditions.

8. On 29 August 2014, the Board announced that the Company has offered the options under Employees' Share Option Scheme ("ESOS") to the eligible employees of Luster and its subsidiaries.

9. On 27 November 2014, the Board announced that the Company proposed acquisition the remaining 40.87% equity interest in Exzone Plastics Manufacturers Sdn. Bhd. ("Exzone") comprising 2,575,000 ordinary shares of RM1.00 each in Exzone, for a total purchase consideration of RM3,000,000.00 in cash.

10. Our shareholders had at the EGM of the Company held on 12 December 2014 approved the resolution as set out in the Notice of Extraordinary General Meeting ("EGM") dated 27 November 2014.

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

Future Development and Challenges

Recovery in the US economy is gaining momentum with the support from the strong domestic economic fundamentals. However, the recovery in Europe is still grappling with low growth, low inflation, high unemployment and high Government debt. The global economy is expected to expand at a moderate pace in 2015.

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 Group will continue its strategy to penetrate into producing plastic parts and components for the automotive and medical industry.

Further to the above, the Group will also focus to move itself to be an "Original Design Manufacturer" ("ODM"). The Group has successfully co-developed a product with a hygiene products customer. In order to become a well-known ODM, corporate branding is important. The Group is embarking on various activities to promote a new corporate brand. The Group also recognise that human capital is an important asset in order to be a successful ODM. The Group has various plans to develop and train its human capital to learn and apply new ideas, competencies, skills, behaviors and attitudes. Research & development activities are also equally important. With this, the Group will be able to create added value to our customers so as to position us on a different platform.

The Board continues to explore the opportunities present in the market place either locally or abroad, from within its core business or other business sectors, to enhance its revenue and profitability. The Group had ventured into construction and mining business in 2014 and may also look into opportunities to diversify into other businesses. The Board believes that diversification would stabilize the Group's future earnings.

In light of the above developments, the Board is cautiously optimistic in delivering a positive performance in financial year 2015.

Corporate Social Responsibility

As part of the Group's Corporate Social Responsibility efforts towards its employees, the community and the environment where its businesses are conducted, various corporate social activities have been carried out.

The Group in recognising that the personnel are the driving force behind our growth and operational success, efforts are in place for the provision of a conducive working environment. The Group maintains practices that comply with acceptable standards of safety and health in the workplace. Regular inspections are taken to ensure Company's infrastructures are well maintained.

STATEMENT FROM THE CHAIRMAN (cont'd)



Corporate Social Responsibility (Cont'd)

The Group has continuously and consistently emphasised on human resource development among its employees. The Group views its employees as its greatest asset and will continuously organise various trainings and seminars to upgrade their skills and knowledge. The Group had also organised Industrial Training Program where students from university and college can apply their theoretical knowledge to actual working environment.

There is also a recreation club where activities are organized, such as sports events and festive celebrations for employees and management staff to participate and interact.

Conscious of the importance of proper care for the environment, the Group supports efforts that promote a cleaner and healthier environment in the day-to-day activities of all its operations.

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

The Group had in January 2015 donated cash and rice to the flood victims in Kampung Air Putih, Kemaman, Terengganu.

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 64, 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 59, a Malaysian, is the founder and Managing Director of Luster. He completed his secondary education in 1974. He was appointed to the Board of Luster on 19 September 1986. Subsequently, he was appointed as the Managing Director on 18 October 2002. He is currently the Group Chief Executive Officer. 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. 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.

LIANG WOUI GEE

Mr. Liang Woui Gee, aged 43, 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 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.

DIRECTORS' PROFILE (cont'd)

LIM SEE HUA

Mr. Lim See Hua, aged 66, 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 joining Luster to take up the position of Factory Manager in 1992 and subsequently assumed the role of a Director in 1996.

Mr. Lim See Hua 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.

LIM SEE MENG

Lim See Meng, aged 61, 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 See Meng 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 35, 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 Song He, Wilson 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.

DIRECTORS' PROFILE (cont'd)

LAU THENG CHIM

Mr. Lau Theng Chim, aged 60, 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 45, 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 Chin Nam 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.

MOHAMD SHUKRI BIN MOHAMED ZAIN

Mohamed Shukri bin Mohamed Zain, a Malaysian, aged 50, 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.

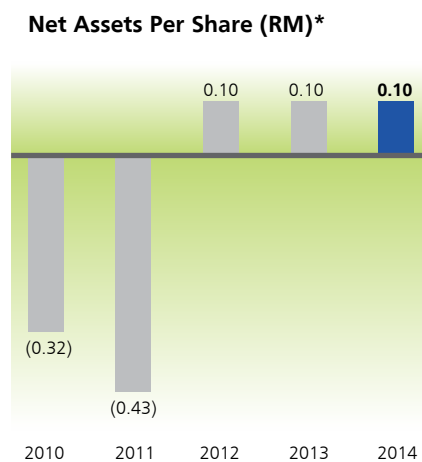
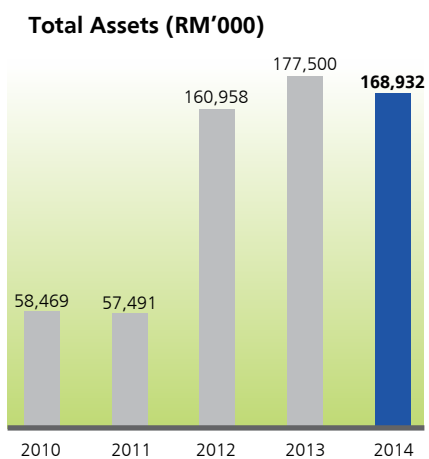
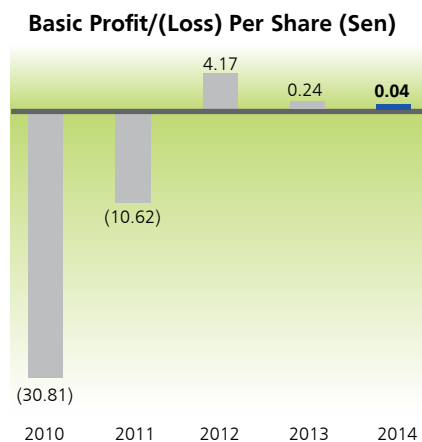
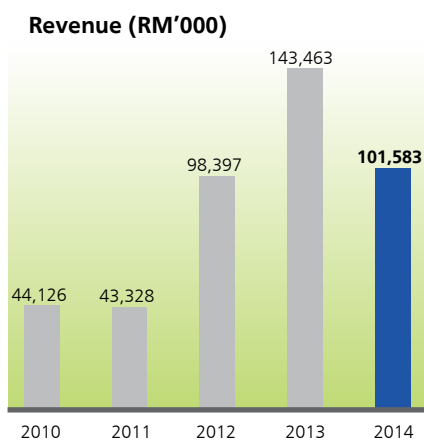
He does not have any family relationship with any other directors and/ or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

FINANCIAL HIGHLIGHTS

Five Years Financial Highlights

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	44,126	43,328	98,397	143,463	101,583
Profit/(Loss) Before Taxation	(20,109)	(6,511)	34,037	8,817	1,744
Profit/(Loss) After Taxation	(18,848)	(6,495)	31,760	5,509	779
Profit/(Loss) After Taxation and Minority Interest	(18,848)	(6,495)	30,226	3,092	612
Paid-up Capital	61,183	61,183	108,801	138,693	157,432
Total Assets	58,469	57,491	160,958	177,500	168,932
Shareholders Fund	(19,681)	(26,168)	107,177	140,368	150,752
Basic Profit/(Loss) Per Share (Sen)	(30.81)	(10.62)	4.17	0.24	0.04
Net Assets Per Share (RM)*	(0.32)	(0.43)	0.10	0.10	0.10

* Ordinary shares of RM1 each (2010 to 2011)/ RM0.10 each (2012 to 2014)



STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of Luster Industries Bhd. (the "Board") fully appreciates the importance of adopting high standards of corporate governance within the Group to ensure that the 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.

PRINCIPLE 1 : Establish Clear Roles & Responsibilities

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.

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.

Gender Diversity Policy

The Board takes note of Recommendation 2.2 of the Code pertaining to the need to establish a policy formalising the approach to boardroom diversity and to set targets and measures for the adoption of the said recommendation.

However, the Board has no immediate plans to implement a diversity policy or target as it is of the view that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender, ethnicity and age. The Board is committed to diversity and has an equal opportunity policy and there are no barriers by reason of an individual's gender, race, religion and age. YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir's appointment to the Board since 2010 is evidence that Board does not consider gender to be a bar to Board membership.

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 14 of this Annual Report.

PRINCIPLE 1 : Establish Clear Roles & Responsibilities (Cont'd)

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 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.

Strategies Promoting Sustainability

The Board views the commitment to sustainability and environmental, social and governance performance as part of its broader responsibility to client, shareholders and communities in which it operates. The Company's approach to sustainability for the financial year under review is set out in the Corporate Social Responsibility Statement on pages 5 and 6 of this Annual Report.

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.

Company Secretary

All directors have direct access to the advice of the Company Secretary whether as a full board or in their individual capacities. The Board also avails itself to independent professional advice in the course of fulfilling its responsibilities and if so required, at the expense of the Company.

Board Charter

The Company's Board Charter sets out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance. The Board Charter will be periodically reviewed and published on the Company's corporate website <http://www.lustergroup.com>.

Whistleblowing Policy

In adhering to good corporate governance practices and with the introduction of the Whistleblower Protection Act 2010, the Board has put in place an avenue for employees and stakeholders to report genuine concerns about unethical behaviour, malpractices, illegal acts on failure to comply with regulatory requirements without fear of reprisal.

Workforce Diversity

The Group has no immediate plans to implement a diversity policy or target as it is of the view that employment is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender, ethnicity and age. The Group will provide equal opportunity to candidates with merit.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 : Strengthen Composition

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 22 to 25 of this Annual Report.

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 2014, 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 (Deputy Managing 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 2014, One (1) Remuneration Committee meeting was held.

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.

PRINCIPLE 2 : Strengthen Composition (Cont'd)**Board Committees (Cont'd)****c) Remuneration Committee (Cont'd)**

A summary of the remuneration of Directors for the financial year ended 31 December 2014 is as follows:

	Fees RM	Salaries RM	Other emoluments RM	Total RM
Executive Directors	168,000	1,248,000	346,272	1,762,272
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 2014 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	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	3	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	1	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	-	-
RM500,001 to RM550,000	1	-

d) Risk Management Committee

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

Chairman : Lau Theng Chim (Independent Non-Executive Director)

Members : Liang Wooi Gee (Deputy Managing Director)

Lim See Hua (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)

PRINCIPLE 3 : Reinforce Independence

Assessment of Independent Directors

The Board recognizes the importance of independence and objectivity in the decision making process. The Board and its Nominating Committee in their annual assessment concluded that each of the four independent Non-Executive Directors continue to demonstrate conduct and behaviour that are essential indicators of independence. Each of them continues to fulfil the definition and criteria of independence as set out in Bursa Malaysia Main Market Listing Requirements.

Tenure of Independent Directors

This Board is of the opinion that the composition is balanced and in compliance with the Bursa Malaysia Main Market Listing Requirements. None of the independent directors has served a cumulative term exceeding nine years as recommended by the Code.

Chairman and Managing Director to be held by Different Individuals

The positions of the Chairman and the Managing Director are held by two different individuals in line with the Code's recommendations. There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority.

The Chairman is responsible for leading the Board and ensuring its effectiveness whilst the Managing Director is responsible for running the Group's business.

Chairman to be a Non-Executive Director

The Company complied with the recommendation of the Code that the Chairman of the Board is an Independent Non-Executive Director of the Company.

PRINCIPLE 4 : Foster Commitment

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 five (5) 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.

The attendance of the Directors who held office during the financial year ended 31 December 2014 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)	5/5
Lim See Chea (Managing Director)	5/5
Liang Wooi Gee (Deputy Managing Director)	5/5
Lim See Hua (Executive Director)	5/5
Lim See Meng (Executive Director)	4/5
Wee Song He, Wilson (Executive Director)	5/5
Lau Theng Chim (Independent Non-Executive Director)	5/5
Ng Chin Nam (Independent Non-Executive Director)	5/5
Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)	5/5

PRINCIPLE 4 : Foster Commitment (Cont'd)**Directors' Training**

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

Date	Name of Director	Seminar
January 2014	Mr. Lau Theng Chim	Half-Day Seminar on Transfer Pricing Documentation
February 2014	Mr. Lau Theng Chim	Post Budget 2014
March 2014	Mr. Ng Chin Nam and Mr. Lau Theng Chim	Audit Committee Conferences 2014
April 2014	Mr. Wee Song He, Wilson	GST for Industries – Getting Started
April 2014	Mr. Lau Theng Chim	Real Property Gains Tax
August 2014	Mr. Ng Chin Nam	Construction Industry Development Board (Green Card)
September 2014	Mr. Lau Theng Chim	MIA Public Practice Programme
September 2014	Mr. Lau Theng Chim	Practitioners Updates 2014
October 2014	All Directors except Mr. Lau Theng Chim	Malaysian Budget 2015
October 2014	Mr. Liang Wooi Gee and Mr. Ng Chin Nam	Government Grants and Financial Assistance for Malaysia Companies and its Application Procedures
November 2014	Mr. Lau Theng Chim	Interview For Approved Company Auditor and Liquidator
December 2014	Mr. Lau Theng Chim	Understand And Applying The 24 Malaysian GST Tax Codes For The Preparation GST-03 Tax Return & GST Audit File (GAF)

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.

PRINCIPLE 5 : Uphold Integrity in Financial Reporting**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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 5 : Uphold Integrity in Financial Reporting (Cont'd)

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.

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 22 to 25 of this Annual Report.

PRINCIPLE 6 : Recognise and Manage Risks

Sound Risk Management Framework

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

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

Internal Audit Function

The Board recognizes the importance of risk management and internal controls in the overall management processes.

The Group's Statement on Risk Management and Internal Control which provides an overview of the Group's risk management and state of internal controls is set out on pages 20 to 21 the Annual Report.

PRINCIPLE 7 : Ensure Timely and High Quality Disclosure

Corporate Disclosure Policy

The Company is committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. In this respect, the Company follows the Corporate Disclosure Guide and Best Practices as proposed by Bursa Malaysia.

Material information will in all cases be disseminated broadly and publicly via Bursa Malaysia, and other means. Copies of the full announcement are supplied to the shareholders and members of the public upon request. Interest parties can also obtain the full financial results and the Company's announcements from the Company's website at www.lustergroup.com and also the Bursa Malaysia's website.

PRINCIPLE 8 : Strengthen Relationship Between the Company and Shareholders

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

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with the shareholders of the Company. The Board encourages shareholders' active participation at the Company's AGM and endeavours to ensure all Board Members, Senior Management and the Group's External Auditors are in attendance to respond to shareholders' enquiries. At the AGM, the Board presents the performance of the Group as contained in the Annual Report and shareholders present are given the opportunity to present their views or to seek more information.

Resolutions tabled and passed at the AGM are released to Bursa Malaysia on the same day. Shareholders have the right, as provided for in the Articles of Association of the Company, to request for poll voting.

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

COMPLIANCE WITH THE CODE

The Board is satisfied that, save as disclosed earlier, the Company has in all material aspects, complied with the principles and recommendation set out in The Code that were in place during the financial year ended 31 December 2014.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 25 May 2015.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is pleased to provide the following Statement on Risk Management and Internal Control (“the Statement”), which is made 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 systems of internal control, which includes the establishment of an appropriate control environment and reporting framework. Since there are limitations, which are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve the Group’s corporate objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control encompasses financial, organizational, operational and compliance controls and risk management.

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

Risk Management

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

The objectives of the risk management framework are:

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

Internal Audit Function

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

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

The 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 2014 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 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 weakness in internal control.

This statement on internal control is made in accordance with a resolution of the Board of Directors dated 25 May 2015.

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 2014, four (4) Audit Committee meetings were held and the table of attendance of each committee member is as follows:-

Name of Members	No. of Meetings Attended/Held During Directors' Tenure in Office
Lau Theng Chim (Chairman)	4/4
Ng Chin Nam	4/4
Mohamed Shukri Bin Mohamed Zain	4/4

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 2014;
- met with the external auditors twice (2) during the financial year ended 31 December 2014 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 2014 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.

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 RM41,555.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 20 and 21 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.

AUDIT COMMITTEE REPORT (cont'd)

Meetings (Cont'd)

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

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.

Statement on Employees' Share Option Scheme ("ESOS")

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

The Company's ESOS was approved at an Extraordinary General Meeting ("EGM") held on 22 February 2012. During the financial year ended 31 December 2014, one (1) offer was made to employees, the details of which are as below:

Grant date	Expiry date	Exercise Price RM/share	Outstanding as at 01.01.2014 ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	Outstanding as at 31.12.2014 ('000)
15.06.2012	14.06.2017	0.10	84,224	-	(4,290)	(6,538)	73,396
29.08.2014	14.06.2017	0.105	-	16,100	-	-	16,100

Included in the above, a total of 34,000,000 options were granted to the Directors at the exercise price of RM0.10, none of the Directors exercised their ESOS during the financial year ended 31 December 2014. 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 Daklah 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	-

Granted to Directors & Senior Management	During the financial year ended 31 December 2014	Since commencement of the ESOS on 15 June 2012
Aggregate Maximum Allocation	-	60%
Actual Allocation	5.0%	42.4%

OTHER INFORMATION

1) **Non-Audit Fees**

During the financial year, the non-audit fees paid to the external auditors of the Group was RM33,150.

2) **Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature for the year ended 31 December 2014**

Details of transactions with Related Party undertaken by the Group during the financial year are disclosed in Note 28 to the Financial Statements.

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

Details of ESOS has been duly detailed on the financial statement on pages 28, 86 and 87 of this Annual Report.

4) **Utilisation of Proceeds**

There were no proceeds raised from any corporate proposals during the financial year ended 31 December 2014.

However, as at the date of the Notice of Twenty-Eighth Annual General Meeting dated 29 May 2015, 119,000,000 new ordinary shares of RM0.10 each pursuant to the Private Placement were issued, pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 23 June 2014. The total proceeds of RM11,900,000 from private placement exercise has not been utilised.

5) **Share Buy-Back**

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

6) **Options or Warrants**

There were no options or warrants issued by the Company during the financial year ended 31 December 2014.

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.

8) **Imposition or Sanctions and Penalties**

There was a late lodgement penalty of RM250.00 imposed on the Company by Companies Commission of Malaysia 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.

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 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.

RESULTS

	GROUP	COMPANY
	RM	RM
Profit/(Loss) after tax for the year	778,959	(5,274,320)
Attributable to:		
Owners of the parent	611,809	(5,274,320)
Non-controlling interests	167,150	-
	778,959	(5,274,320)

In the opinion of the directors, except for those disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended **31 December 2014** 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 ordinary share capital from RM138,693,051 to RM157,432,201 by:

- (i) issuance of 183,101,500 ordinary shares of RM0.10 each arising from the conversion of 183,101,500 5-year 0% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM0.10 nominal value each by surrendering one RM0.10 nominal value of ICULS for one new ordinary share of the Company; and
- (ii) allotments of 4,290,000 new ordinary shares of RM0.10 each at an exercise price of RM0.10 per share for cash pursuant to the Employee Share Option Scheme.

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

SHARE CAPITAL AND DEBENTURE (CONT'D)

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

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

WARRANTS

The Company's outstanding warrants A and B will expire on 3 June 2022 and 26 May 2023 respectively.

The salient features of the warrants are set out in Note 15.1 to the financial statements.

As at 31 December 2014, there was a total of 441,594,505 unexercised Warrants A and 216,000,000 unexercised Warrants B. None of the warrants have been exercised during the financial year.

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

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 22 February 2012, 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:

Grant date	Expiry date	Exercise price RM	Number of Share Option				Balance at 31.12.14
			Balance at 1.1.14	Granted and Accepted	Exercised	Lapsed/ Forfeited	
15.6.12	14.6.17	0.10	84,223,500	-	(4,290,000)	(6,537,500)	73,396,000
29.8.14	14.6.17	0.105	-	16,100,000	-	-	16,100,000

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 31 to the financial statements.

Details of option 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' 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 1.1.14	Bought	Sold	Balance at 31.12.14
The Company				
Direct Interest:				
Lim See Chea	67,488,857	161,812,600	(45,000,000)	184,301,457
Liang Wooi Gee	10,022,857	22,000,000	(10,000,000)	22,022,857
Lim See Hua	2,330,450	-	-	2,330,450
Lim See Meng	83,359,400	39,340,600	(103,315,400)	19,384,600
Wee Song He, Wilson	155,400,000	40,000,000	(63,348,780)	132,051,220
Ng Chin Nam	96	-	-	96
* Deemed Interest:				
Lim See Chea	4,513,885	-	-	4,513,885
# Other Interest:				
Lim See Chea	125,000	-	-	125,000
Liang Wooi Gee	400	-	-	400
Lim See Meng	128,800	-	-	128,800
Number of 5-year 0% Irredeemable Convertible Unsecured Loan Stocks of RM0.10 nominal value each				
	Balance at 1.1.14	Bought	Converted	Balance at 31.12.14
The Company				
Direct Interest:				
Lim See Chea	64,812,600	-	(64,812,600)	-
Lim See Meng	68,303,100	-	(68,303,100)	-
# Other Interest:				
Lim See Meng	2,300	-	-	2,300
Number of Warrants A				
	Balance at 1.1.14	Bought	Sold	Balance at 31.12.14
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	92	-	-	92
* Deemed Interest:				
Lim See Chea	2,350,970	-	-	2,350,970

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

DIRECTORS' INTERESTS (CONT'D)

	----- Number of options over ordinary shares of RM0.10 each -----			
	Balance at 1.1.14	Granted and accepted	Exercised	Balance at 31.12.14
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	2,000,000	-	-	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 as 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

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

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the 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

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.

SIGNIFICANT EVENT

Significant event during the financial year is disclosed in Note 32 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: 17 April 2015

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 35 to 88 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 2014** 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 on page 89 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: 17 April 2015

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 35 to 89 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 **17th**)
day of **April 2015**.)

.....
Liang Wooi Gee

Before me,

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LUSTER INDUSTRIES BHD.

Company No. 156148-P (Incorporated In Malaysia)

2014

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 2014** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 88.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these 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 2014** 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 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 on page 89 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. 947/03/17 (J)
Chartered Accountant

Date: 17 April 2015

Penang

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

2014

	NOTE	GROUP		COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	74,989,100	73,653,023	10,099,592	10,781,390
Investment in subsidiaries	5	-	-	131,669,864	135,669,865
Goodwill on consolidation	6	20,729,268	20,729,268	-	-
		95,718,368	94,382,291	141,769,456	146,451,255
Current assets					
Inventories	7	13,244,390	13,204,075	-	-
Trade receivables	8	19,862,640	31,736,092	-	-
Other receivables, deposits and prepayments	9	10,244,860	3,765,752	672,291	375,480
Amount due from subsidiaries	10	-	-	3,944,222	1,500,566
Current tax assets		792,476	112,581	-	-
Fixed deposits with licensed banks	11	6,302,117	4,859,293	31,751	29,900
Cash and bank balances	12	22,767,253	29,440,104	764,370	518,057
		73,213,736	83,117,897	5,412,634	2,424,003
TOTAL ASSETS		168,932,104	177,500,188	147,182,090	148,875,258
EQUITY AND LIABILITIES					
Share capital	13	157,432,201	138,693,051	157,432,201	138,693,051
Irredeemable convertible unsecured loan stocks	14	489,850	18,800,000	489,850	18,800,000
Other reserves	15	(7,169,618)	(17,125,322)	(18,869,834)	(14,519,767)
Equity attributable to owners of the parent		150,752,433	140,367,729	139,052,217	142,973,284
Non-controlling interests		-	11,252,492	-	-
Total equity		150,752,433	151,620,221	139,052,217	142,973,284
Non-current liabilities					
Borrowings	16	1,543,937	2,720,208	-	-
Deferred tax liabilities	17	1,452,001	1,405,000	-	-
		2,995,938	4,125,208	-	-
Current liabilities					
Trade payables	18	7,096,182	13,560,366	-	102,470
Other payables and accruals	19	4,985,738	5,940,433	276,274	218,622
Amount due to subsidiaries	10	-	-	7,595,439	5,540,046
Borrowings	16	2,842,984	1,665,287	-	-
Current tax liabilities		258,829	588,673	258,160	40,836
		15,183,733	21,754,759	8,129,873	5,901,974
Total liabilities		18,179,671	25,879,967	8,129,873	5,901,974
TOTAL EQUITY AND LIABILITIES		168,932,104	177,500,188	147,182,090	148,875,258

The notes set out on pages 43 to 88 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTE	GROUP		COMPANY	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	20	101,582,868	143,462,597	2,820,000	1,596,000
Cost of sales		(91,234,002)	(119,335,726)	-	-
Gross profit		10,348,866	24,126,871	2,820,000	1,596,000
Other income	21	5,789,810	2,884,335	3,336,011	40,068
Administrative expenses		(13,206,925)	(15,613,840)	(11,133,377)	(3,694,353)
Selling and distribution expenses		(935,540)	(1,948,986)	-	-
Operating profit/(loss)		1,996,211	9,448,380	(4,977,366)	(2,058,285)
Finance costs		(252,125)	(631,336)	-	(410,717)
Profit/(Loss) before tax	22	1,744,086	8,817,044	(4,977,366)	(2,469,002)
Tax expense	23	(965,127)	(3,307,597)	(296,954)	(395,914)
Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year		778,959	5,509,447	(5,274,320)	(2,864,916)
Profit/(Loss) for the year, representing total comprehensive income/(loss) attributable to:					
Owners of the parent		611,809	3,091,523	(5,274,320)	(2,864,916)
Non-controlling interests		167,150	2,417,924	-	-
		778,959	5,509,447	(5,274,320)	(2,864,916)
Earnings per share attributable to owners of the parent (sen)	24				
- Basic		0.04	0.24		
- Diluted		0.03	0.17		

The notes set out on pages 43 to 88 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Attributable to Owners of the Parent										Total Equity RM	
	Share Capital RM	ICULS RM	Share Premium RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	Capital Reserve RM	Accumulated Losses RM	Total RM	Non- controlling Interests RM		
2014												
Balance at beginning	138,693,051	18,800,000	846,475	22,618,076	(22,618,076)	1,425,990	-	(19,397,787)	140,367,729	11,252,492	151,620,221	
Net profit, representing total comprehensive income during the year	-	-	-	-	-	-	-	611,809	611,809	167,150	778,959	
<i>Transactions with owners:</i>												
Issuance of shares pursuant to:												
- Conversion of ICULS	18,310,150	(18,310,150)	-	-	-	-	-	-	-	-	-	
- ESOS exercised	429,000	-	-	-	-	-	-	-	429,000	-	429,000	
Transfer to share premium for share option exercised	-	-	95,238	-	-	(95,238)	-	-	-	-	-	
Share-based-payment compensation pursuant to ESOS granted	-	-	-	-	-	924,253	-	-	924,253	-	924,253	
Acquisition from non-controlling interests	-	-	-	-	-	-	8,419,642	-	8,419,642	(11,419,642)	(3,000,000)	
Total transactions with owners	18,739,150	(18,310,150)	95,238	-	-	829,015	8,419,642	-	9,772,895	(11,419,642)	(1,646,747)	
Balance at end	157,432,201	489,850	941,713	22,618,076	(22,618,076)	2,255,005	8,419,642	(18,785,978)	150,752,433	-	150,752,433	

The notes set out on pages 43 to 88 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Attributable to Owners of the Parent											
	Share Capital RM	ICULS RM	Share Premium RM	Exchange Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	Equity component of RCCLS RM	Accumulated Losses RM	Total RM	Non-controlling Interests RM	Total Equity RM
2013												
Balance at beginning	108,801,201	18,800,000	204,484	12,938	12,493,076	(12,493,076)	1,290,559	556,997	(22,489,310)	107,176,869	8,834,568	116,011,437
Net profit, representing total comprehensive income for the year	-	-	-	-	-	-	-	-	3,091,523	3,091,523	2,417,924	5,509,447
<i>Transactions with owners:</i>												
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 option 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 RCCLS	-	-	-	-	-	-	-	(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	18,800,000	846,475	-	22,618,076	(22,618,076)	1,425,990	-	(19,397,787)	140,367,729	11,252,492	151,620,221

The notes set out on pages 43 to 88 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Attributable to Owners of the Parent							Total Equity RM	
	Share Capital RM	ICULS RM	Share Premium RM	Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	Equity component of RCSLs RM		Accumulated Losses RM
2014									
Balance at beginning	138,693,051	18,800,000	846,475	22,618,076	(22,618,076)	1,425,990	-	(16,792,232)	142,973,284
Net loss, representing total comprehensive loss for the year	-	-	-	-	-	-	-	(5,274,320)	(5,274,320)
<i>Transactions with owners:</i>									
Issuance of shares pursuant to:									
- Conversion of ICULS	18,310,150	(18,310,150)	-	-	-	-	-	-	-
- ESOS exercised	429,000	-	-	-	-	-	-	-	429,000
Transfer to share premium for share option exercised	-	-	95,238	-	-	(95,238)	-	-	-
Share-based-payment compensation pursuant to ESOS granted	-	-	-	-	-	924,253	-	-	924,253
Total transactions with owners	18,739,150	(18,310,150)	95,238	-	-	829,015	-	-	1,353,253
Balance at end	157,432,201	489,850	941,713	22,618,076	(22,618,076)	2,255,005	-	(22,066,552)	139,052,217
2013									
Balance at beginning	108,801,201	18,800,000	204,484	12,493,076	(12,493,076)	1,290,559	556,997	(13,927,316)	115,725,925
Net loss, representing total comprehensive loss for the year	-	-	-	-	-	-	-	(2,864,916)	(2,864,916)
<i>Transactions with owners:</i>									
Issuance of shares pursuant to:									
- Private placement	27,000,000	-	-	-	-	-	-	-	27,000,000
- ESOS exercised	2,891,850	-	641,991	-	-	(641,991)	-	-	2,891,850
Transfer to share premium for share option exercised	-	-	-	-	-	-	-	-	-
Share-based-payment compensation pursuant 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	18,800,000	846,475	22,618,076	(22,618,076)	1,425,990	-	(16,792,232)	142,973,284

The notes set out on pages 43 to 88 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	1,744,086	8,817,044	(4,977,366)	(2,469,002)
Adjustments for:				
Bad debts	-	-	2,882	7,014
Deemed gain on deconsolidation of subsidiaries	-	(12,680)	-	-
Depreciation	5,550,418	5,099,962	400,794	467,455
(Gain)/Loss on disposal of property, plant and equipment	(3,329,169)	(52,520)	(3,222,394)	22,664
Investment in a subsidiary written off	-	-	-	47,538
Impairment loss on investment in a subsidiary	-	-	7,000,001	-
Impairment loss on receivables	-	801,616	-	-
Interest expense	252,125	631,336	-	410,717
Interest income	(500,564)	(505,879)	(9,262)	(30,068)
Property, plant and equipment written off	5,498	58,804	-	-
Share-based compensation pursuant to ESOS granted	924,253	777,422	924,253	777,422
Unrealised gain on foreign exchange	(534,631)	(175,218)	-	-
Operating profit/(loss) before working capital changes	4,112,016	15,439,887	118,908	(766,260)
Increase in inventories	(40,315)	(2,302,039)	-	-
Decrease/(Increase) in receivables	5,650,325	2,434,385	(299,693)	-
Decrease in payables	(7,442,137)	(3,139,621)	(44,818)	(61,069)
Cash generated from/(used in) operations	2,279,889	12,432,612	(225,603)	(827,329)
Income tax paid	(1,906,034)	(3,734,439)	(51,451)	(381,414)
Income tax refunded	6,348	279,872	-	-
Real property gains tax paid	(28,179)	-	(28,179)	-
Interest paid	(252,125)	(220,619)	-	-
Net cash from/(used in) operating activities	99,899	8,757,426	(305,233)	(1,208,743)

The notes set out on pages 43 to 88 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2014

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Net cash from/(used in) operating activities	99,899	8,757,426	(305,233)	(1,208,743)
CASH FLOWS FROM INVESTING ACTIVITIES				
(i) Cash flows from deconsolidation of subsidiaries	-	(3,833)	-	-
Interest received	490,438	500,503	9,262	30,068
Purchase of shares from non-controlling interests	(3,000,000)	-	(3,000,000)	-
Investment in subsidiaries	-	-	-	(10,000,000)
Proceeds from disposal of property, plant and equipment	4,859,249	221,046	4,645,973	18,750
(ii) Purchase of property, plant and equipment	(8,194,073)	(8,100,867)	(1,142,575)	-
Placement of fixed deposits	(2,995,029)	(790,000)	-	-
Net cash (used in)/from investing activities	(8,839,415)	(8,173,151)	512,660	(9,951,182)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net change in subsidiaries' balances	-	-	(388,263)	(1,439,383)
Proceeds from private placement exercise	-	27,000,000	-	27,000,000
Proceeds from ESOS exercised	429,000	2,891,850	429,000	2,891,850
Repayment of term loans	(26,686)	(555,520)	-	-
Redemption of RCSLS	-	(17,904,371)	-	(17,904,371)
Drawdown of bankers' acceptance	1,500,000	-	-	-
Payment of finance lease liabilities	(1,699,888)	(1,266,640)	-	-
RCSLS interest paid	-	(454,252)	-	(454,252)
Net cash from financing activities	202,426	9,711,067	40,737	10,093,844
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,537,090)	10,295,342	248,164	(1,066,081)
Effects of foreign exchange rates changes	301,908	118,899	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	33,158,649	22,744,408	547,957	1,614,038
CASH AND CASH EQUIVALENTS AT END	24,923,467	33,158,649	796,121	547,957
Represented by:				
Fixed deposits with licensed banks	2,156,214	3,718,545	31,751	29,900
Cash and bank balances	22,767,253	29,440,104	764,370	518,057
	24,923,467	33,158,649	796,121	547,957

The notes set out on pages 43 to 88 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
(i) Cash flows from deconsolidation of 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)	-	-
(ii) Purchase of property, plant and equipment				
Total acquisition cost	8,422,073	11,721,546	1,142,575	-
Acquired under finance lease	(228,000)	(3,620,679)	-	-
Total cash acquisition	8,194,073	8,100,867	1,142,575	-

The notes set out on pages 43 to 88 form an integral part of these financial statements.

1. GENERAL INFORMATION

General

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 April 2015.

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

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

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10, 12 and 127 *Investment Entities*

Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*

IC Int 21 *Levies*

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of Amendments/Improvements to MFRSs and IC Interpretations ("IC Int") (Cont'd)

Initial application of the above Standards did not have any material impact to the financial statements of the Group and of the Company.

2.5 Standards Issued But Not Yet Effective

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

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*
Amendments to MFRSs *Annual improvements to MFRSs 2010-2012 Cycle*
Amendments to MFRSs *Annual improvements to MFRSs 2011-2013 Cycle*

Effective for annual periods beginning on or after 1 January 2016

MFRS 14 *Regulatory Deferral Accounts*
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
Amendments to MFRS 101 *Disclosure Initiative*
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
Amendments to MFRSs *Annual Improvements to MFRSs 2012-2014 Cycle*

Effective for annual periods beginning on or after 1 January 2017

MFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)
Amendments to MFRS 7 *Mandatory Date of MFRS 9 and Transition Disclosures*

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Int 13 *Customer Loyalty Programmes*, IC Int 15 *Agreements for Construction of Real Estate*, IC Int 18 *Transfers of Assets from Customers* and IC Int 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

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. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.1 Judgements made in applying accounting policies

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

2.6.2 Key sources of estimation uncertainty

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

(i) Useful lives of depreciable assets

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

(ii) Impairment of plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from 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 assesses 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 considers 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Business combination

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (Cont'd)

(v) Non-controlling interests

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

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

(vi) Transactions eliminated on consolidation

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

3.2 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 its estimated useful life at the following annual rates:

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, Plant and Equipment (Cont'd)

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

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

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.

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

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

3.5 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU").

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

3.6 Financial Instruments

3.6.1 Initial recognition and measurement

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

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

3.6.2 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.

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 in accordance with the terms of a debt instrument.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6.4 Offsetting of financial instruments

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

3.6.5 Derecognition

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

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

3.7 Impairment of Financial Assets

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

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

3.8 Cash and Cash Equivalents

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

3.9 Inventories

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

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

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

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

3.10 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. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.11 **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.

3.12 **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.

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.

3.13 **Employee Benefits**

Short term benefits

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

Defined contribution plans

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

Employee share option scheme

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 and assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

3.15 Foreign Currency Translations

Assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at the rates of exchange approximately ruling on that date. Transactions in foreign currencies during the year have been translated into Ringgit Malaysia at the rates of exchange approximately ruling on the transactions dates. All exchange gains or losses are included in profit or loss.

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 statement of financial position. The coupon payable on RCSLS is 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

3.19 Share Capital, Share Issuance Expenses and Dividends

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

Share capital represents the nominal value of shares that have been issued.

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

Share premium includes any premiums received upon issuance of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Costs directly attributable to the issuance 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 statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2014

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

2014	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and moulds RM	Furniture, fittings and office equipment RM	Electrical installation RM	Motor vehicles RM	Renovation RM	Capital expenditure in progress RM	Total RM
Balance at beginning	-	7,259,982	46,976,310	92,863,791	10,840,680	5,291,819	3,879,419	88,168	314,000	167,514,169
Additions	1,704,146	-	4,448,675	966,755	342,941	-	-	-	959,556	8,422,073
Disposals	-	(226,512)	(2,308,141)	(3,220,514)	-	(1,330,210)	(133,233)	-	-	(7,218,610)
Written off	-	-	-	-	(6,879)	-	-	-	-	(6,879)
Balance at end	1,704,146	7,033,470	49,116,844	90,610,032	11,176,742	3,961,609	3,746,186	88,168	1,273,556	168,710,753
Accumulated depreciation										
Balance at beginning	-	1,265,306	7,058,962	55,625,817	9,057,649	3,840,120	2,408,321	85,316	-	79,341,491
Current charge	-	118,359	880,376	3,463,736	418,037	166,086	503,824	-	-	5,550,418
Disposals	-	(97,526)	(1,026,940)	(2,943,881)	-	(1,288,461)	(133,229)	-	-	(5,490,037)
Written off	-	-	-	-	(1,381)	-	-	-	-	(1,381)
Balance at end	-	1,286,139	6,912,398	56,145,672	9,474,305	2,717,745	2,778,916	85,316	-	79,400,491
Accumulated impairment loss										
Balance at beginning	-	-	2,818,435	11,391,155	-	310,065	-	-	-	14,519,655
Disposals	-	-	-	(164,249)	-	(34,244)	-	-	-	(198,493)
Balance at end	-	-	2,818,435	11,226,906	-	275,821	-	-	-	14,321,162
Carrying amount	1,704,146	5,747,331	39,386,011	23,237,454	1,702,437	968,043	967,270	2,852	1,273,556	74,989,100

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2014

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

GROUP

	2013	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
At cost										
Balance at beginning	7,259,982	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	7,259,982	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	1,142,936	6,251,368	57,569,520	9,074,171	3,689,609	2,472,765	85,126	-	80,285,495	
Current charge	122,370	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	1,265,306	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	5,994,676	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 2014

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

	Leasehold land RM	Buildings RM	Plant, machinery and moulds RM	Furniture, fittings and office equipment RM	Electrical installation RM	Motor vehicles RM	Total RM
2014							
At cost							
Balance at beginning	2,396,529	12,222,413	25,918,637	4,855,792	2,007,411	200,271	47,601,053
Additions	-	1,142,575	-	-	-	-	1,142,575
Disposals	(226,512)	(2,308,141)	(2,391,962)	-	(1,330,210)	(45,500)	(6,302,325)
Balance at end	2,170,017	11,056,847	23,526,675	4,855,792	677,201	154,771	42,441,303
Accumulated depreciation							
Balance at beginning	650,337	3,786,067	23,882,569	4,844,213	1,950,970	200,262	35,314,418
Current charge	38,684	234,773	115,448	10,019	1,870	-	400,794
Disposals	(97,526)	(1,026,940)	(2,361,308)	-	(1,288,461)	(45,498)	(4,819,733)
Balance at end	591,495	2,993,900	21,636,709	4,854,232	664,379	154,764	30,895,479
Accumulated impairment loss							
Balance at beginning	-	-	1,459,223	-	46,022	-	1,505,245
Disposals	-	-	(24,769)	-	(34,244)	-	(59,013)
Balance at end	-	-	1,434,454	-	11,778	-	1,446,232
Carrying amount	1,578,522	8,062,947	455,512	1,560	1,044	7	10,099,592
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

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Leasehold land	1,722,480	3,705,926	-	-
Buildings	5,829,592	18,637,006	-	4,742,248
Plant, machinery and moulds	-	1,460,695	-	324,503
	7,552,072	23,803,627	-	5,066,751

Analysed as:

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Pledged to licensed banks for banking facilities granted to certain subsidiaries	7,552,072	7,712,871	-	-
* Pledged as security for RCSLS issued	-	16,090,756	-	5,066,751
	7,552,072	23,803,627	-	5,066,751

- * The property, plant and equipment pledged to the financial institutions for the RCSLS issued had been discharged during the financial year pursuant to the redemption of the outstanding RCSLS.

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

	GROUP	
	2014 RM	2013 RM
Plant, machinery and moulds	2,987,047	4,360,766
Motor vehicles	791,378	1,280,642
	3,778,425	5,641,408

The leased assets are pledged as security for the related finance lease liabilities (Note 16).

- (iii) Shophouse with carrying amount of RM225,764 which was held in trust by a director was transferred to the beneficial subsidiary's name during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2014

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2014 RM	2013 RM
Unquoted shares, at cost	107,411,416	104,411,416
Less: Accumulated impairment loss	(39,741,552)	(32,741,551)
	67,669,864	71,669,865
Redeemable preference shares	64,000,000	64,000,000
	131,669,864	135,669,865

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

Name of entity	Effective equity interest		Principal activities
	2014 %	2013 %	
Direct			
Luster Precision Engineering Sdn. Bhd.	100	100	Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products.
Luster Plastic Industries Sdn. Bhd.	100	100	Dormant.
Luster Manufacturing Sdn. Bhd.	100	100	Investment holding.
Luster Chi Wo Sdn. Bhd.	51	51	Dormant.
Winco Precision Engineering (Melaka) Sdn. Bhd.	100	100	Precision engineering work and manufacturing of die-casting components.
Winco Precision Technologies Sdn. Bhd.	80	80	Dormant.
Exzone Plastics Manufacturers Sdn. Bhd.	100	59.13	Manufacturing of plastic injection moulded parts, sub-assembly of plastic parts and provision of its related services.
Indirect - held through Luster Precision Engineering Sdn. Bhd.			
* Luster Seweon Sdn. Bhd.	70	70	Dormant.
* Pembinaan LSP Jaya Sdn. Bhd.	100	-	Property construction. The company has not commenced its construction activities.
Indirect - held through Luster Plastic Industries Sdn. Bhd.			
Linpower Resources Sdn. Bhd.	100	100	Investment holding and mining of minerals. The company has not commenced its mining activities.

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of entity	Effective equity interest		Principal activities
	2014	2013	
	%	%	
Indirect - held through Winco Precision Engineering (Melaka) Sdn. Bhd.			
Winco Precision Technologies Sdn. Bhd.	20	20	Dormant.
Indirect - held through Exzone Plastics Manufacturers Sdn. Bhd.			
Imetron (M) Sdn. Bhd.	100	100	Property letting.

* Not audited by Grant Thornton.

2014

- (i) On 24 February 2014, a wholly-owned subsidiary of the Company, Luster Precision Engineering Sdn. Bhd. had acquired the entire equity interest of 2 ordinary shares of RM1 each in Pembinaan LSP Jaya Sdn. Bhd. for a cash consideration of RM2. The acquisition did not have a material effect on the Group financial results for the financial year ended 31 December 2014.
- (ii) On 12 December 2014, the Company had acquired the remaining 40.87% equity interest in the issued and paid-up capital of Exzone Plastics Manufacturers Sdn. Bhd. ("EPM") for a total cash consideration of RM3,000,000.

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.

In the previous financial year the Group's subsidiary, EPM has material non-controlling interests ("NCI"), details of which are disclosed as follows:

	2013
	RM
NCI percentage of ownership interest and voting interest	40.87%
Carrying amount of NCI	11,252,492
Profit allocated to NCI	<u>2,417,924</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2014

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information before intra-group elimination

	2013 RM
At 31 December	
Total assets	38,190,769
Total liabilities	<u>(11,620,522)</u>
Net assets	<u>26,570,247</u>
Year ended 31 December	
Revenue	71,371,982
Net profit, representing total comprehensive income for the year	<u>5,916,135</u>
Cash flows from operating activities	6,176,737
Cash flows from investing activities	(3,115,463)
Cash flows from financing activities	<u>(569,070)</u>
Net increase in cash and cash equivalents	<u>2,492,204</u>

During the financial year, EPM has become a wholly-owned subsidiary of the Company and hence such information is no longer presented.

6. GOODWILL ON CONSOLIDATION

	GROUP	
	2014	2013
	RM	RM
At cost:		
Arising from acquisition of subsidiaries	<u>20,729,268</u>	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.

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 **5%** (2013: 3%) per annum for the subsequent years.

6. **GOODWILL ON CONSOLIDATION (CONT'D)**

(ii) Discount rate

The discount rate of **6.60%** (2013: 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	
	2014	2013
	RM	RM
Raw materials	6,006,911	6,292,742
Work-in-progress	2,347,706	1,794,924
Finished goods	4,667,176	4,845,319
Consumables	222,597	271,090
	13,244,390	13,204,075

The cost of inventories recognised as cost of sales during the financial year amounted to **RM91,234,002** (2013: RM119,335,726).

8. **TRADE RECEIVABLES**

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Trade receivables	21,069,381	32,942,833	-	-
Less: Accumulated impairment loss				
Balance at beginning	(1,206,741)	(756,258)	-	(304,133)
Current year	-	(801,616)	-	-
Written off	-	351,133	-	304,133
Balance at end	(1,206,741)	(1,206,741)	-	-
	19,862,640	31,736,092	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2014

8. TRADE RECEIVABLES (CONT'D)

The currency profile of trade receivables is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Ringgit Malaysia	15,878,921	27,365,499	-	-
US Dollar	2,870,170	2,815,969	-	-
Singapore Dollar	1,112,641	1,553,216	-	-
Euro	908	1,408	-	-
	19,862,640	31,736,092	-	-

The normal credit terms granted to trade receivables range from **30 to 120 days** (2013: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in the Group's trade receivables is an amount of **RM276,390** (2013: RM Nil) due from a company in which persons connected to certain directors of the Company have substantial financial interest.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other receivables	638,687	633,821	109,129	9,623
Less: Accumulated impairment loss				
Balance at beginning	(463,322)	(660,243)	(9,623)	(9,623)
Written off	13,263	-	9,623	-
Recovered	197,610	196,921	-	-
Balance at end	(252,449)	(463,322)	-	(9,623)
	386,238	170,499	109,129	-
Refundable deposits (Note 9.1)	2,545,679	1,587,912	278,450	293,450
Non-refundable deposit paid to mine owner (Note 32)	2,500,000	-	-	-
Prepayments (Note 9.2)	4,812,943	2,007,341	284,712	82,030
	10,244,860	3,765,752	672,291	375,480

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

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Ringgit Malaysia	9,529,173	3,765,752	672,291	375,480
US Dollar	715,687	-	-	-
	10,244,860	3,765,752	672,291	375,480

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

9.1 On 3 March 2014, Luster Precision Engineering Sdn. Bhd. and Winco Precision Engineering (Melaka) Sdn. Bhd. ("Luster") entered into a Shareholders' Agreement with Odemax Development Sdn. Bhd. ("Odemax") to subscribe additional shares in Pembinaan LSP Jaya Sdn. Bhd. ("PLSP"). Among the terms stipulated in the Shareholders' Agreement are as follows:

- (i) Odemax's shareholdings at all times shall represent 40% of the total issued and paid up capital of PLSP whilst the balance of 60% is to be maintained by Luster. As at 31 December 2014, both parties have yet to subscribe for additional shares in PLSP.
- (ii) Koperasi Hartanah Malaysia Berhad ("Koperasi") has awarded certain development projects in the state of Kedah to Odemax and via a Deed of Assignment, Odemax has assigned the benefits and obligations of the development projects to PLSP with the consent of Koperasi.

Following the above, PLSP has paid RM1,200,000 to Koperasi, which is included in refundable deposits as performance bond and will be refunded upon completion of the development projects.

9.2 Included in prepayments is an amount of RM3,278,200, being consultancy fees paid for overall project management pertaining to the construction of development projects stated in Note 9.1. This amount will be reclassified to construction costs upon commencement of the construction work.

10. AMOUNT DUE FROM/TO SUBSIDIARIES

	COMPANY	
	2014 RM	2013 RM
Amount due from subsidiaries:		
Total amount	5,165,001	2,721,345
Less: Accumulated impairment loss		
Balance at beginning	(1,220,779)	(1,230,779)
Recovered	-	10,000
Balance at end	(1,220,779)	(1,220,779)
	3,944,222	1,500,566
Amount due to subsidiaries:		
Total amount	7,595,439	5,540,046

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	
	2014 RM	2013 RM	2014 RM	2013 RM
Unencumbered	2,156,214	3,718,545	31,751	29,900
* Pledged as security for banking facilities and finance lease granted to certain subsidiaries	4,145,903	1,140,748	-	-
	6,302,117	4,859,293	31,751	29,900

* Included herein is a fixed deposit amounting to **RM111,764** (2013: RM108,919) placed in the name of a director of the Company, in trust for a subsidiary.

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11. FIXED DEPOSITS WITH LICENSED BANKS (CONT'D)

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	
	2014 RM	2013 RM	2014 RM	2013 RM
Interest rate	1.50% - 3.30%	1.70% - 3.25%	3.30%	3.15%
Maturity	22 - 365 days	22 - 365 days	365 days	365 days

12. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Short term funds with a licensed financial institution	10,187,731	17,430,774	-	-
Cash and bank balances	12,579,522	12,009,330	764,370	518,057
	22,767,253	29,440,104	764,370	518,057

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	20,630,057	26,055,111	763,214	516,901
US Dollar	620,482	701,049	117	117
Singapore Dollar	1,516,692	2,683,922	1,017	1,017
Others	22	22	22	22
	22,767,253	29,440,104	764,370	518,057

Short term funds with a licensed financial institution represent investments in money market with maturity period of between **1 to 14 days** (2013: 1 to 14 days). The effective interest rate of short term investments at the end of the reporting period is **0.13% to 3.15%** (2013: 0.13% to 3.17%) per annum.

13. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2014	2013	2014 RM	2013 RM
Authorised	2,500,000,000	2,500,000,000	250,000,000	250,000,000
Issued and fully paid				
Balance at beginning	1,386,930,510	1,088,012,010	138,693,051	108,801,201
Issuance pursuant to:				
Conversion of ICULS	183,101,500	-	18,310,150	-
Private placement	-	270,000,000	-	27,000,000
Exercise of ESOS	4,290,000	28,918,500	429,000	2,891,850
Balance at end	1,574,322,010	1,386,930,510	157,432,201	138,693,051

During the financial year, the Company had increased its issued and paid-up ordinary share capital from RM138,693,051 to RM157,432,201 by:

- (i) issuance of 183,101,500 ordinary shares of RM0.10 each arising from the conversion of 183,101,500 5-year 0% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM0.10 nominal value each by surrendering one RM0.10 nominal value of ICULS for one new ordinary share of the Company; and
- (ii) allotments of 4,290,000 new ordinary shares of RM0.10 each at an exercise price of RM0.10 per share for cash pursuant to the Employee Share Option Scheme.

14. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Number of ICULS of RM0.10 each		Amount	
	2014	2013	2014 RM	2013 RM
Balance at beginning	188,000,000	188,000,000	18,800,000	18,800,000
Converted to ordinary shares	(183,101,500)	-	(18,310,150)	-
Balance at end	4,898,500	188,000,000	489,850	18,800,000

The 5-year 0% Irredeemable Convertible Unsecured Loan Stocks ("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 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.

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15. OTHER RESERVES

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Share premium	941,713	846,475	941,713	846,475
Warrants reserve (Note 15.1)	22,618,076	22,618,076	22,618,076	22,618,076
Discount on shares (Note 15.1)	(22,618,076)	(22,618,076)	(22,618,076)	(22,618,076)
ESOS reserve (Note 15.2)	2,255,005	1,425,990	2,255,005	1,425,990
Capital reserve (Note 15.3)	8,419,642	-	-	-
	11,616,360	2,272,465	3,196,718	2,272,465
Accumulated losses	(18,785,978)	(19,397,787)	(22,066,552)	(16,792,232)
	(7,169,618)	(17,125,322)	(18,869,834)	(14,519,767)

15.1 Warrants reserve and Discount on shares

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

	2014 RM	2013 RM
Warrants A expiring 3 June 2022 (Note 15.1(i))	12,493,076	12,493,076
Warrants B expiring 26 May 2023 (Note 15.1(ii))	10,125,000	10,125,000
	22,618,076	22,618,076

(i) On 5 June 2012, the Company issued 441,594,505 10-year free detachable warrants 2012/2022 ("Warrants A") pursuant to the Company's restructuring exercise. The Warrants A are constituted by a deed poll dated 23 April 2012. The Warrants A are listed on Bursa Malaysia on 12 June 2012. During the financial year, no Warrants A were exercised. As at 31 December 2014, 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.

15. OTHER RESERVES (CONT'D)**15.1 Warrants reserve and Discount on shares (Cont'd)**

- (ii) On 27 May 2013, the Company issued 216,000,000 10-year free detachable warrants 2013/2023 ("Warrants B") pursuant to the Company's Placement Shares with Warrants exercise. The Warrants B are constituted by a deed poll dated 23 May 2013. The Warrants B are listed on Bursa Malaysia on 30 May 2013. During the financial year, no Warrants B were exercised. As at 31 December 2014, 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.

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

15.2 ESOS reserve

The ESOS reserve represents the equity-settled share option 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 option.

15.3 Capital reserve

Capital reserve represents the excess of the Group's share of net assets before and after the change in its ownership interest, and the consideration paid for the acquisition from its non-controlling interest as disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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16. BORROWINGS

	GROUP	
	2014	2013
	RM	RM
Non-current liabilities		
<u>Finance lease liabilities</u>		
Minimum payments:		
Within one year	1,447,447	1,860,504
More than one year and less than two years	1,004,490	1,363,560
More than two years and less than five years	577,062	1,476,722
More than five years	-	14,607
	3,028,999	4,715,393
Future finance charges	(209,113)	(423,619)
	2,819,886	4,291,774
Amount due within one year included under current liabilities	(1,311,621)	(1,635,317)
	1,508,265	2,656,457
<u>Term loans</u>		
Total amount payable	67,035	93,721
Amount due within one year included under current liabilities	(31,363)	(29,970)
	35,672	63,751
	1,543,937	2,720,208
Current liabilities		
Bankers acceptance	1,500,000	-
Finance lease liabilities	1,311,621	1,635,317
Term loans	31,363	29,970
	2,842,984	1,665,287
Total borrowings	4,386,921	4,385,495

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 certain subsidiaries' directors,
- (iv) Corporate guarantee of the Company, and
- (v) Leased assets disclosed in Note 4(ii).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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16. 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						
2014						
Bankers acceptance	5.32 to 5.35	1,500,000	1,500,000	-	-	-
Finance lease liabilities	1.38 to 3.50	2,819,886	1,311,621	952,470	555,795	-
Term loan	5.10	67,035	31,363	33,001	2,671	-
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	-

17. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Temporary differences on property, plant and equipment				
Balance at beginning	1,405,000	1,039,000	-	-
Transfer (to)/from profit or loss	(78,999)	310,000	-	-
	1,326,001	1,349,000	-	-
Under provision in prior year	126,000	56,000	-	-
Balance at end	1,452,001	1,405,000	-	-
Issuance of RCSLS				
Balance at beginning	-	185,666	-	185,666
Redemption of RCSLS	-	(185,666)	-	(185,666)
Balance at end	-	-	-	-
Total deferred tax liabilities	1,452,001	1,405,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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18. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	5,665,252	11,387,034	-	102,470
US Dollar	526,179	1,014,461	-	-
Singapore Dollar	904,751	1,158,871	-	-
	7,096,182	13,560,366	-	102,470

The trade payables are non-interest bearing and is normally settled within **30 days to 60 days** (2013: 30 days to 60 days) credit terms.

Included in the Group's trade payables is an amount of **RM235,077** (2013: RM82,840) due to companies in which persons connected to certain directors of the Company have substantial financial interest.

19. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Other payables	1,366,752	984,473	7,910	8,748
Accruals	3,370,453	4,075,844	193,364	134,874
Deposits received	55,707	103,307	75,000	75,000
Prepayments	192,826	776,809	-	-
	4,985,738	5,940,433	276,274	218,622

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	4,965,797	5,806,572	276,274	218,622
US Dollar	4,682	102,319	-	-
Singapore Dollar	15,259	31,542	-	-
	4,985,738	5,940,433	276,274	218,622

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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20. REVENUE

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Sale of goods	101,582,868	143,462,597	-	-
Rental income	-	-	300,000	876,000
Management fee	-	-	2,520,000	720,000
	101,582,868	143,462,597	2,820,000	1,596,000

21. OTHER INCOME

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Bad debt recovered	5,919	-	-	-
Deemed gain on deconsolidation of subsidiaries	-	12,680	-	-
Gain on disposal of property, plant and equipment	3,329,169	126,888	3,222,394	-
Impairment loss on other receivables recovered	197,610	196,921	-	-
Impairment loss on amount due from a subsidiary recovered	-	-	-	10,000
Interest income	500,564	505,879	9,262	30,068
Miscellaneous income	480,592	4,180	104,355	-
Mould modification income	590,859	1,701,503	-	-
Realised gain on foreign exchange	22,666	89,295	-	-
Rental income	127,800	68,312	-	-
Unrealised gain on foreign exchange	534,631	178,677	-	-
	5,789,810	2,884,335	3,336,011	40,068

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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22. PROFIT/(LOSS) BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
After charging:				
Audit fee				
- Statutory audit				
- current year	96,500	96,000	27,000	25,000
- over provision in prior year	-	(2,000)	-	-
- Other services	-	32,500	-	32,500
Bad debts	-	-	2,882	7,014
Depreciation	5,550,418	5,099,962	400,794	467,455
Directors' fee for non-executive directors	132,000	132,000	132,000	132,000
Impairment loss on investment in a subsidiary	-	-	7,000,001	-
Impairment loss on receivables	-	801,616	-	-
Interest expense on:				
- Bank overdrafts	-	2,661	-	-
- Bankers acceptance	13,203	1,280	-	-
- Finance lease	234,717	191,029	-	-
- Term loan	4,205	25,649	-	-
- RCSLS	-	410,717	-	410,717
Investment in a subsidiary written off	-	-	-	47,538
Loss on disposal of property, plant and equipment	-	74,368	-	22,664
Preliminary expenses	2,630	-	-	-
Property, plant and equipment written off	5,498	58,804	-	-
Realised loss on foreign exchange	161,066	80,245	-	-
Rental of machinery and equipment	3,300	3,600	-	-
Rental of premises	287,999	320,241	-	-
Share-based compensation pursuant to ESOS granted	924,253	777,422	924,253	777,422
* Staff costs	21,681,692	23,258,394	2,036,712	1,056,878
Unrealised loss on foreign exchange	-	3,459	-	-
* Staff costs				
- Wages, salaries, allowances, bonus and incentive	20,057,560	21,567,899	1,689,574	797,159
- EPF	1,318,877	1,373,611	175,544	88,697
- SOCSO	137,255	148,884	3,594	3,022
- Fee	168,000	168,000	168,000	168,000
	21,681,692	23,258,394	2,036,712	1,056,878

22. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Directors' remuneration

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

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Executive directors of the Company				
- Salaries, allowances and incentive	1,442,018	1,156,098	1,442,000	559,000
- EPF	152,254	125,386	149,760	61,920
- Fee	168,000	168,000	168,000	168,000
	1,762,272	1,449,484	1,759,760	788,920
Executive directors of subsidiaries				
- Salaries, allowances and incentive	763,619	868,543	-	-
- EPF	73,323	81,816	-	-
	836,942	950,359	-	-
Total executive directors' remuneration	2,599,214	2,399,843	1,759,760	788,920
Analysed as:				
Present directors	2,599,214	2,289,843	1,759,760	788,920
Past director	-	110,000	-	-
	2,599,214	2,399,843	1,759,760	788,920

23. TAX EXPENSE

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Malaysian income tax:				
Based on results for the year				
- Current tax	(863,500)	(2,631,118)	(291,000)	(52,000)
- Deferred tax relating to the origination and reversal of temporary differences	78,999	(310,000)	-	-
	(784,501)	(2,941,118)	(291,000)	(52,000)
Real property gains tax	(28,179)	-	(28,179)	-
	(812,680)	(2,941,118)	(319,179)	(52,000)
(Under)/Over provision in prior years				
- Current tax	(26,447)	(310,479)	22,225	(343,914)
- Deferred tax	(126,000)	(56,000)	-	-
	(152,447)	(366,479)	22,225	(343,914)
	(965,127)	(3,307,597)	(296,954)	(395,914)

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23. TAX EXPENSE (CONT'D)

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

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit/(Loss) before tax	1,744,086	8,817,044	(4,977,366)	(2,469,002)
Income tax at Malaysian statutory tax rate of 25%	(436,022)	(2,204,261)	1,244,342	617,251
Income not subject to tax	431,747	1,462,916	26,089	2,500
Expenses not deductible for tax purposes	(253,493)	(1,093,976)	(1,503,464)	(591,001)
Movements on net deferred tax assets not recognised	(502,707)	(1,122,250)	(55,648)	(77,531)
* Changes in tax rate	(24,026)	16,453	(2,319)	(3,219)
Real property gains tax	(28,179)	-	(28,179)	-
	(812,680)	(2,941,118)	(319,179)	(52,000)
(Under)/Over provision in prior years	(152,447)	(366,479)	22,225	(343,914)
	(965,127)	(3,307,597)	(296,954)	(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, deferred tax is 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	
	2014	2013	2014	2013
	RM	RM	RM	RM
Property, plant and equipment	2,161,000	907,000	(339,000)	(108,000)
Unabsorbed tax losses	(22,576,000)	(22,689,000)	-	-
Unabsorbed capital allowances	(9,026,000)	(5,566,000)	-	-
Unabsorbed reinvestment allowance	(15,458,000)	(15,458,000)	-	-
Unabsorbed allowance for increased exports	(504,000)	(504,000)	-	-
	(45,403,000)	(43,310,000)	(339,000)	(108,000)

Deferred tax assets have not been recognised on the above temporary differences as the management is unable to determine whether the Group and the Company will have chargeable income in the foreseeable future to the extent that the above deductible temporary differences can be utilised in view of the uncertain business environment.

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

24. EARNINGS PER SHARE

24.1 Basic

The calculation of basic earnings per share was based on the profit attributable to owners of the parent and a weighted average number of ordinary shares outstanding, calculated as follows:

	GROUP	
	2014	2013
Profit for the year attributable to owners of the parent (RM)	611,809	3,091,523
Weighted average number of ordinary shares	1,484,042,216	1,262,399,363
Basic earnings per share (sen)	0.04	0.24

24.2 Diluted

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

	GROUP	
	2014	2013
Profit for the year attributable to owners of the parent (RM)	611,809	3,091,523
Interest expense on RCSLS, net of tax (RM)	-	410,717
Adjusted profit for the year attributable to owners of the parent (diluted) (RM)	611,809	3,502,240
Weighted average number of ordinary shares in issue (basic)	1,484,042,216	1,262,399,363
Effect of conversion of ICULS and Warrants	662,493,005	756,235,601
Effect of exercise of ESOS	78,865,589	84,223,500
Weighted average number of ordinary shares (diluted)	2,225,400,810	2,102,858,464
Diluted earnings per share (sen)	0.03	0.17

25. SEGMENTAL INFORMATION

Business Segments

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

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

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

- (i) Manufacturing of precision plastic parts, sub-assembly, die-casting components and precision engineering works.
- (ii) Others which consist of investment holding, mining of minerals, property construction and inactive companies.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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25. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Manufacturing		Others		Elimination		Total	
	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM	2014 RM	2013 RM
Revenue								
External sales	101,582,868	143,462,597	-	-	-	-	101,582,868	143,462,597
Inter-segment sales	5,414,120	17,199,577	2,820,000	2,258,607	(8,234,120)	(19,458,184)	-	-
Total revenue	106,996,988	160,662,174	2,820,000	2,258,607	(8,234,120)	(19,458,184)	101,582,868	143,462,597
Results								
Segment results	(485,250)	10,721,226	(5,019,104)	(1,635,721)	7,000,001	(143,004)	1,495,647	8,942,501
Interest income	488,061	475,738	12,503	30,141	-	-	500,564	505,879
Interest expense	(252,125)	(220,619)	-	(410,717)	-	-	(252,125)	(631,336)
Tax expense	(667,480)	(2,823,136)	(297,647)	(484,461)	-	-	(965,127)	(3,307,597)
(Loss)/Profit for the year	(916,794)	8,153,209	(5,304,248)	(2,500,758)	7,000,001	(143,004)	778,959	5,509,447
Assets								
Segment assets	113,463,731	115,127,058	159,972,533	154,254,902	(134,366,006)	(126,293,750)	139,070,258	143,088,210
Current tax assets	792,222	106,035	254	6,546	-	-	792,476	112,581
Fixed deposits with licensed banks	6,270,366	4,829,393	31,751	29,900	-	-	6,302,117	4,859,293
Cash and bank balances	21,513,136	28,772,802	1,254,117	667,302	-	-	22,767,253	29,440,104
Total assets	142,039,455	148,835,288	161,258,655	154,958,650	(134,366,006)	(126,293,750)	168,932,104	177,500,188
Liabilities								
Segment liabilities	18,509,608	23,947,902	17,964,213	7,872,539	(24,391,901)	(12,319,642)	12,081,920	19,500,799
Deferred tax liabilities	1,452,001	1,405,000	-	-	-	-	1,452,001	1,405,000
Borrowings	4,386,921	4,385,495	-	-	-	-	4,386,921	4,385,495
Current tax liabilities	-	489,168	258,829	99,505	-	-	258,829	588,673
Total liabilities	24,348,530	30,227,565	18,223,042	7,972,044	(24,391,901)	(12,319,642)	18,179,671	25,879,967
Other information								
Addition to non-current assets	9,160,285	11,721,546	2,102,131	-	(2,840,343)	-	8,422,073	11,721,546
Depreciation	5,149,624	4,239,350	400,794	860,612	-	-	5,550,418	5,099,962
Non-cash (income)/expenses other than depreciation	(619,682)	610,018	(2,311,485)	787,406	(2,882)	-	(2,934,049)	1,397,424

25. **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.
- C Other non-cash (income)/expenses consist of the following items:

	2014	2013
	RM	RM
Deemed gain on deconsolidation of subsidiaries	-	(12,680)
Gain on disposal of property, plant and equipment	(3,329,169)	(52,520)
Impairment loss on trade receivables	-	801,616
Property, plant and equipment written off	5,498	58,804
Share-based compensation pursuant to ESOS granted	924,253	777,422
Unrealised gain on foreign exchange	(534,631)	(175,218)
	(2,934,049)	1,397,424

Information about major customers

Total revenue from major customers which individually contributed more than 10% of Group revenue amounted to **RM30,252,817** (2013: RM44,943,268), 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	
	2014	2013	2014	2013
	RM	RM	RM	RM
Malaysia	77,307,393	121,636,055	95,718,368	94,382,291
Singapore	15,572,411	14,579,740	-	-
Australia	3,231,282	2,045,247	-	-
United Kingdom	2,939,119	4,168,243	-	-
Other countries	2,532,663	1,033,312	-	-
	101,582,868	143,462,597	95,718,368	94,382,291

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26. CONTINGENT LIABILITIES (UNSECURED)

The Company has issued corporate guarantees to banks and financial institutions for banking facilities and finance lease granted to certain subsidiaries up to a limit of **RM3,058,690** (2013: RM7,058,690) of which **RM1,831,648** (2013: RM2,454,643) of the said banking facilities have been utilized as at the end of the reporting period.

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.

27. COMMITMENTS

(i) Capital commitments

Authorised and contracted for:
- Property, plant and equipment

	GROUP	
	2014	2013
	RM	RM
	270,972	788,400

(ii) Other commitments

The balance commitments payable pursuant to:
- Shareholders' Agreement (Note 9)
- Joint Venture Agreement (Note 32)

	GROUP	
	2014	2013
	RM	RM
	2,721,800	-
	1,500,000	-
	4,221,800	-

28. RELATED PARTY DISCLOSURES

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. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

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

Related party

Relationship

Premierpath Sdn. Bhd., PT Wang Sarimulti Utama, Durachem (Penang) Sdn. Bhd., LST Venture Sdn. Bhd. and Gem Spektra Sdn. Bhd.

Companies in which persons connected to Lim See Chea, Lim See Hua and Lim See Meng have substantial financial interest.

Shun Fa Sdn. Bhd.

A company in which a person connected to Tan Kim Cheang, a director of a subsidiary has substantial financial interest.

28. RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Rental income from subsidiaries	-	-	300,000	876,000
Management fee charged to subsidiaries	-	-	2,520,000	720,000
Purchases from related parties				
- Premierpath Sdn. Bhd.	7,246	7,126	-	-
- PT Wang Sarimulti Utama	-	58,636	-	-
- Durachem (Penang) Sdn. Bhd.	1,047,229	232,858	-	-
- LST Venture Sdn. Bhd.	-	26,500	-	-
- Gem Spektra Sdn. Bhd.	-	233,248	-	-
Purchases from a related party, Shun Fa Sdn. Bhd.	12,350	139,070	-	-
Sales to a related party, Gem Spektra Sdn. Bhd.	367,788	246	-	-
Subcontractor fee charged by a related party, Gem Spektra Sdn. Bhd.	21,855	7,683	-	-

Compensation of key management personnel

The Group and the Company have no other members of key management personnel apart from the Board of Directors whose compensation has been shown in Note 22.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

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

	Carrying amount RM	L&R RM	FL RM
GROUP			
2014			
Financial assets			
Trade receivables	19,862,640	19,862,640	-
Other receivables and refundable deposits	2,931,917	2,931,917	-
Fixed deposits with licensed banks	6,302,117	6,302,117	-
Cash and bank balances	22,767,253	22,767,253	-
	51,863,927	51,863,927	-
Financial liabilities			
Borrowings	4,386,921	-	4,386,921
Trade payables	7,096,182	-	7,096,182
Other payables and accruals	4,792,912	-	4,792,912
	16,276,015	-	16,276,015

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (Cont'd)

	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
COMPANY			
2014			
Financial assets			
Other receivables and refundable deposits	387,579	387,579	-
Amount due from subsidiaries	3,944,222	3,944,222	-
Fixed deposit with a licensed bank	31,751	31,751	-
Cash and bank balances	764,370	764,370	-
	5,127,922	5,127,922	-
Financial liabilities			
Other payables and accruals	276,274	-	276,274
Amount due to subsidiaries	7,595,439	-	7,595,439
	7,871,713	-	7,871,713
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	-

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM	FL RM
COMPANY			
2013			
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

29.2 Financial risk management

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

29.3 Credit risk

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

29.3.1 Trade receivables

The Group gives its customers credit terms that range between **30 to 120 days** (2013: 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			
2014			
Not past due	10,354,546	-	10,354,546
1 to 60 days past due	6,916,714	-	6,916,714
61 to 120 days past due	1,524,205	-	1,524,205
Past due more than 120 days	2,273,916	(1,206,741)	1,067,175
	10,714,835	(1,206,741)	9,508,094
	21,069,381	(1,206,741)	19,862,640

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.3.1 Trade receivables (Cont'd)

	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

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 **RM9,508,094** (2013: RM10,174,752) that are past due but not impaired as the management is of the view that these debts will be collected in due course.

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

The Group has significant concentration of credit risk in the form of outstanding balance due from **2 customers** (2013: 3 customers) representing **28%** (2013: 59%) of the total trade receivables.

29.3.2 Intercompany balances

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

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

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

29.3.3 Financial guarantees

The Company provides unsecured financial guarantees to banks and financial institutions in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. The maximum exposure to credit risk is disclosed in Note 26.

As at the end of the reporting period, there was no indication that any subsidiaries would default on repayment.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Liquidity risk

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

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

	Carrying amount RM	Contractual cash 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						
2014						
Interest bearing borrowings	4,386,921	4,599,793	2,981,503	1,038,546	579,744	-
Trade payables	7,096,182	7,096,182	7,096,182	-	-	-
Other payables and accruals	4,792,912	4,792,912	4,792,912	-	-	-
	16,276,015	16,488,887	14,870,597	1,038,546	579,744	-
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
COMPANY						
2014						
Other payables and accruals	276,274	276,274	276,274	-	-	-
Amount due to subsidiaries	7,595,439	7,595,439	7,595,439	-	-	-
	7,871,713	7,871,713	7,871,713	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 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
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	-	-	-

29.5 Interest rate risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Fixed rate instruments				
Financial assets	6,302,117	4,859,293	31,751	29,900
Financial liabilities	2,819,886	4,291,774	-	-
Floating rate instruments				
Financial assets	10,187,731	17,430,774	-	-
Financial liabilities	1,567,035	93,721	-	-

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 tax by **RM30,885** (2013: RM37,963) and a decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Foreign currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases 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") 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 RM	SGD RM	OTHERS RM
GROUP			
2014			
Trade receivables	2,870,170	1,112,641	908
Other receivables	44,157	-	-
Cash and bank balances	620,482	1,516,692	22
Trade payables	(526,179)	(904,751)	-
Other payables	(4,682)	(15,259)	-
Net exposure	<u>3,003,948</u>	<u>1,709,323</u>	<u>930</u>
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	<u>2,400,238</u>	<u>3,046,725</u>	<u>1,430</u>
COMPANY			
2014			
Cash and bank balances	<u>117</u>	<u>1,017</u>	<u>22</u>
2013			
Cash and bank balances	<u>117</u>	<u>1,017</u>	<u>22</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's and the Company's profit before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have reduced profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
USD	(300,395)	(240,024)	(12)	(12)
SGD	(170,932)	(304,673)	(102)	(102)
Other currencies	(93)	(143)	(2)	(2)
	<hr/>			
Decrease in profit before tax	(471,420)	(544,840)	(116)	(116)

29.7 Fair value of financial instruments

The carrying amounts of the Group's and of the Company's cash and cash equivalents, short term receivables, payables and borrowings 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.

30. 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.

There were no external capital requirements and/or covenants imposed on the Group as at the end of the reporting period.

31. 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.

31. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

- (ii) Any employee or director of any company comprised in the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is in full-time employment and, has been given notification in writing by the company that he/she is a confirmed employee.
- (iii) The option price shall be determined on the 5-day weighted average market price of the Company's shares as quoted on Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the Date of Offer or at par, whichever is higher.
- (iv) The new ordinary shares to be issued and allotted upon the exercise of the option will upon allotment and issuance rank pari passu in all respect with the then existing issued and fully paid-up shares of the Company, except that the new ordinary shares so issued will not be entitled for any rights, dividend, allotments and other distributions which may be declared unless the new ordinary shares so allotted have been credited into the relevant securities accounts maintained by Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

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:

Grant date	Exercise price RM	Option over ordinary shares of RM0.10 each				Balance at 31.12.14
		Balance at 1.1.14	Granted and Accepted	Exercised	Resigned	
15.6.12	0.10	84,223,500	-	(4,290,000)	(6,537,500)	73,396,000
29.8.14	0.105	-	16,100,000	-	-	16,100,000

The outstanding ESOS as at the end of the reporting period is exercisable at any point of time and the weighted average share price during the financial year is **RM0.11** (2013: RM0.16).

The fair values of the share options granted on 15 June 2012 and 29 August 2014 were RM0.02 and RM0.03 respectively and were estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the Black Scholes model for the ESOS granted:

	15-June-12	29-Aug-14
Weighted average share price (RM)	0.08	0.09
Weighted average exercise price (RM)	0.10	0.10
Expected volatility (%)	30.00	64.85
Risk-free rate (%)	3.21	3.66
Expected life (years)	4.44	2.24

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

32. SIGNIFICANT EVENT

On 17 June 2014, a subsidiary of the Company, Linpower Resources Sdn. Bhd. ("LPR") entered into a Joint Venture Agreement ("JVA") with Venturian Minerals Sdn. Bhd. ("VMSB") for the purpose of exploring and carrying out the mining of tin ore and other minerals in a piece of land in Kemaman, Terengganu. Prior to the JVA, VMSB has procured the mining rights from AM Nusa Sdn. Bhd. ("AMSB"), the mine owner via a separate Mining Agreement on 1 June 2014. Following that, VMSB and LPR are entitled to carry out mining activities on that piece of land subject to payments to several parties as mentioned in the JVA.

The subsidiary's investment in this arrangement is RM5,500,000 out of which upon execution of the JVA, the subsidiary has paid RM1,500,000 in working capital and RM2,500,000 as deposit to AMSB (Note 5). The subsidiary's investment in working capital will be recouped from the net earnings from the sale of the mining products.

As at the end of the reporting period the subsidiary has not commenced any mining activities as the subsidiary is in the midst of constructing the mining plant.

33. 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	
	2014 RM	2013 RM	2014 RM	2013 RM
Total accumulated losses of the Company and its subsidiaries:				
- Realised	(7,253,492)	(720,039)	(22,066,552)	(16,792,232)
- Unrealised	(917,370)	(1,229,782)	-	-
	(8,170,862)	(1,949,821)	(22,066,552)	(16,792,232)
Less: Consolidation adjustments	(10,615,116)	(17,447,966)	-	-
Total accumulated losses as per statements of financial position	(18,785,978)	(19,397,787)	(22,066,552)	(16,792,232)

LIST OF PROPERTIES

Details of properties of the Group are as follows:

	Description	Land Area (M ²)	Built-up Area (M ²)	Tenure	Date of Acquisition/ Revaluation* (Age of Building)	Carrying Amount @ 31.12.2014 RM
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* 19	3,973,900
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* 21	1,253,691
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* 32	4,413,879
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* 19	5,711,731
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* 19	2,180,557
Lot 35 Jalan PKNK Utama Kawasan Perusahaan Sungai Petani 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	7,535	3,345	Leasehold period for 60 years expire on 2052	2008* 10	3,148,538
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* 10	12,801,796
Lot 38 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	12,141	9,637	Leasehold period for 60 years expire on 2050	2011* 24	5,842,156
Lot 21 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	693	398	Leasehold period for 60 years expire on 2044	2011* 30	241,337
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* 9	1,359,373
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* 6	1,468,579
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 4	225,764
HSD36462 Lot No. 3901 Mukim of Tanjong Minyak Melaka Tengah 75250 Melaka MELAKA	Freehold Land & Factory Building	6,751	4,381	NA	2014 9	4,216,187

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2015

2014

Authorised Share Capital	:	RM250,000,000.00
Issued and fully paid-up Share Capital	:	RM157,448,591.00
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 30 APRIL 2015

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100 shares	57	0.79	2,159	0.00
100 to 1,000 shares	235	3.26	122,333	0.01
1,001 to 10,000 shares	1,199	16.65	8,568,453	0.54
10,001 to 100,000 shares	3,980	55.25	204,669,347	13.00
100,001 to 78,724,294 issued shares	1,730	24.02	1,167,969,798	74.18
78,724,295 and above of issued shares	2	0.03	193,153,820	12.27
Total	7,203	100.00	1,574,485,910	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2015

Name	←-----Number of Shares Held-----→			
	Direct	%	Deemed	%
Lim See Chea	184,301,457	11.71	4,638,885*	0.29
Wee Song He, Wilson	132,051,220	8.39	-	-

* 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

DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2015

Name	←-----Number of Shares Held-----→			
	Direct	%	Deemed	%
YAM Tunku Datin Annie Daklah Bte Almarhum Tuanku Munawir	-	-	-	-
Lim See Chea	184,301,457	11.71	4,638,885*	0.29
Lim See Hua	2,330,450	0.15	-	-
Lau Theng Chim	-	-	-	-
Liang Wooi Gee	22,022,857	1.40	400	^
Ng Chin Nam	96	^	-	-
Mohamed Shukri Bin Mohamed Zain	-	-	-	-
Lim See Meng	19,384,600	1.23	128,800 [Ⓢ]	0.01
Wee Song He, Wilson	132,051,220	8.39	-	-

* 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 30 APRIL 2015

THIRTY LARGEST SHAREHOLDERS AS AT 30 APRIL 2015

No.	NAME	HOLDINGS	%
1.	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA (B)	106,702,600	6.78
2.	WEE SONG HE, WILSON	85,451,220	5.43
3.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA	75,000,000	4.76
4.	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEE SONG HE WILSON	45,600,000	2.90
5.	SIA SZE KAI (XIE SIKAI)	30,674,390	1.95
6.	TAN KIM LIANG	22,190,000	1.41
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIANG WOOL GEE	22,000,000	1.40
8.	LIM SEE MENG	19,384,600	1.23
9.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP LIM YORK (E-IMO/BCM)	14,700,000	0.93
10.	SOO CARRIE	13,600,000	0.86
11.	WONG KEAN LEONG	13,300,000	0.84
12.	TAN KIM CHAI	12,000,000	0.76
13.	TAN KIM CHEANG	9,553,400	0.61
14.	WEI YI	9,110,000	0.58
15.	RHB NOMINEES (TEMPATAN) SDN BHD SOO WING CHING	8,000,000	0.51
16.	OOI GENE HOCK	7,540,000	0.48
17.	OOI PEY WONG	7,540,000	0.48
18.	NG TIOW MIN	6,600,000	0.42
19.	BEH CHENG SIONG	6,200,000	0.39
20.	LIM SIEW LEE	6,000,000	0.38
21.	UNG YOKE HONG	6,000,000	0.38
22.	GOH BOON SOO @ GOH YANG ENG	5,503,100	0.35
23.	TAN CHIN CHON @ TAN CHIN CHOON	5,500,000	0.35
24.	LIM SEE POOI	5,210,000	0.33
25.	IZHAM HAKIMI BIN HAMD I	5,000,000	0.32
26.	RHB NOMINEES (TEMPATAN) SDN BHD KOH KWEE HWA	5,000,000	0.32
27.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	4,859,000	0.31
28.	LUSTER HOLDINGS SDN. BHD.	4,513,885	0.29
29.	CHOON NEE SIEW	4,500,000	0.29
30.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN	4,000,051	0.25
TOTAL		571,232,246	36.28

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2015

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 30 APRIL 2015

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued Warrants
Less than 100 warrants	64	3.60	2,706	0.00
100 to 1,000 warrants	30	1.69	15,603	0.00
1,001 to 10,000 warrants	210	11.81	1,313,942	0.30
10,001 to 100,000 warrants	859	48.31	47,987,344	10.87
100,001 to 22,079,724 issued warrants	615	34.59	392,274,910	88.83
22,079,725 and above of issued warrants	0	0.00	0	0.00
Total	1,778	100.00	441,594,505	100.00

DIRECTORS' WARRANT A HOLDINGS AS AT 30 APRIL 2015

Name	←—————Number of Shares Held—————→			
	Direct	%	Deemed	%
Liang Wooi Gee	5,714	^	-	-
Lim See Chea	149,714	0.03	-	-
Lim See Hua	832,612	0.19	-	-
Ng Chin Nam	92	^	-	-

^ Negligible

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2015

THIRTY LARGEST WARRANT A HOLDERS AS AT 30 APRIL 2015

NO.	NAME	HOLDINGS	%
1.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN ANN GEE	9,500,000	2.15
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOH CHIN LIANG	9,230,000	2.09
3.	SIM SIEW TUAN	8,384,900	1.90
4.	LIM GEOK ENG MARY	8,200,000	1.86
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GEOK ENG MARY	7,900,000	1.79
6.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR LIM GEOK ENG MARY (MY0955)	7,000,000	1.59
7.	TAN HAN CHONG	5,500,000	1.25
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG ING PING (ET)	5,437,100	1.23
9.	LIM HOCK AUN	4,500,000	1.02
10.	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN (B)	4,500,000	1.02
11.	TAN CHEE TAT	4,014,000	0.91
12.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG ENG TIONG (001)	4,000,000	0.91
13.	LEE ENG BENG	4,000,000	0.91
14.	TAN KIM LIANG	3,800,000	0.86
15.	KOH CHIN LIANG	3,448,600	0.78
16.	TAN CHOON LEE	3,300,000	0.75
17.	ZARAH BINTI YUSOF	3,194,300	0.72
18.	WONG CHEE KIONG	3,100,000	0.70
19.	TAN CHIN CHON @ TAN CHIN CHOON	3,000,000	0.68
20.	WANG CHOON YAP	3,000,000	0.68
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOO POH TIT (PENANG-CL)	2,800,000	0.63
22.	POO AH MOI	2,800,000	0.63
23.	TANG KONG MENG	2,650,000	0.60
24.	TEH TEONG YIKE	2,600,000	0.59
25.	TOH AH LOU	2,600,000	0.59
26.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	2,400,000	0.54
27.	YAP SOO LENG	2,290,500	0.52
28.	WONG KUAN CHEW	2,134,000	0.48
29.	SIVAROU A/L KRISHNA	2,100,000	0.48
30.	TAN CHONG HEE	2,100,000	0.48
TOTAL		129,483,400	29.32

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2015

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 30 APRIL 2015

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued Warrants
Less than 100 warrants	0	0	0	0.00
100 to 1,000 warrants	41	4.69	34,800	0.02
1,001 to 10,000 warrants	42	4.81	320,200	0.15
10,001 to 100,000 warrants	457	52.29	28,089,800	13.00
100,001 to 10,799,999 issued warrants	333	38.10	174,745,000	80.90
10,800,000 and above of issued warrants	1	0.11	12,810,200	5.93
Total	874	100.00	216,000,000	100.00

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2015

THIRTY LARGEST WARRANT B HOLDERS AS AT 30 APRIL 2015

No.	NAME	HOLDINGS	%
1.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	12,810,200	5.93
2.	KOH BOON SAI	8,644,200	4.00
3.	TAN POH SUAT	5,100,000	2.36
4.	TAN TIAM YEE	5,100,000	2.36
5.	YEO AI LEE	2,630,000	1.22
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIM SIEW INN	2,610,000	1.21
7.	MOHD ILHAM BIN ZULKIFLI	2,400,500	1.11
8.	ABDUL HANIFF BIN SULAIMAN	2,373,600	1.10
9.	CH'NG CHEN MONG	2,160,000	1.00
10.	SEE TIAN CHWAN	2,115,000	0.98
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOH CHIN LIANG	2,000,000	0.93
12.	WONG CHEE KIONG	2,000,000	0.93
13.	DAWNWAY LAU	1,900,000	0.88
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SOON LONG	1,885,900	0.87
15.	LIM MOOI FONG	1,885,000	0.87
16.	ONG CHAI SI	1,850,400	0.86
17.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM WEI YUEN	1,803,000	0.83
18.	CAROLINE GAN KE YIN	1,800,000	0.83
19.	CHEAH TEIK HOCK	1,800,000	0.83
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH CHIN SHUN	1,785,100	0.83
21.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH TECK HOE (013)	1,500,000	0.69
22.	OOI CHIN KEAT	1,500,000	0.69
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE A HONG @ LEE LUM SOW (E-TMM)	1,500,000	0.69
24.	TAN LEE LEE	1,500,000	0.69
25.	AMSEC NOMINEES (TEMPATAN) SDN BHD WOO SAU MING (6758-1101)	1,400,000	0.65
26.	TAN CHIN HOONG	1,305,400	0.60
27.	CHAN SIEW HONG	1,300,000	0.60
28.	SIONG KUONG MING	1,300,000	0.60
29.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI GEIK POH (PENANG-CL)	1,220,000	0.56
30.	GAN SENG KEE	1,200,000	0.56
TOTAL		78,378,300	36.29

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2015

2014

- NO. OF ICULS ORIGINAL ISSUES : 4,734,600 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 30 APRIL 2015

Size of shareholdings	No. of ICULS Holders	% of total ICULS Holders	No. of ICULS	% of total issued ICULS
Less than 100 ICULS	0	0.00	0	0.00
100 to 1,000 ICULS	85	74.56	10,100	0.21
1,001 to 10,000 ICULS	6	5.26	24,900	0.53
10,001 to 100,000 ICULS	9	7.89	219,500	4.64
100,001 to 236,729 of issued ICULS	6	5.26	930,100	19.64
236,730 and above of issued ICULS	8	7.02	3,550,000	74.98
Total	114	100.00	4,734,600	100.00

DIRECTORS' ICULS HOLDINGS AS AT 30 APRIL 2015

Name	-----Number of Shares Held----->			
	Direct	%	Deemed	%
Lim See Meng	-	-	2,300 [®]	^

[®] Held by spouse

[^] Negligible

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 30 APRIL 2015

THIRTY LARGEST ICULS HOLDERS AS AT 30 APRIL 2015

No.	NAME	HOLDINGS	%
1.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR KWOK LAI FONG EVANGELINE	500,000	10.56
2.	JERUSHA TAN LIN EN	500,000	10.56
3.	LEE KIM CHIN	500,000	10.56
4.	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	500,000	10.56
5.	YING PUI SUNG	500,000	10.56
6.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR LO CHOW YONG SERENA	400,000	8.45
7.	CHUE MEI LING	400,000	8.45
8.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR PEK CHIU-XIAH, JOLYNN (BAI QIUXIA, JOLYNN)	250,000	5.28
9.	PEK KEM HUA @ PEK KIM CHENG	200,000	4.22
10.	RHB NOMINEES (ASING) SDN BHD RHB SECURITIES SINGAPORE PTE.LTD. FOR KAM YAT TIN(J2-522259)	200,000	4.22
11.	YAP YOK FOO	150,000	3.17
12.	CHAN KIM HOON	128,000	2.70
13.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	127,000	2.68
14.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE ENG MIN (CCTS)	125,100	2.64
15.	CHAN LAI LING	50,000	1.06
16.	LOW CHIN SIN	50,000	1.06
17.	CHEE MOOI HONG	20,000	0.42
18.	CHONG KOK SOON	20,000	0.42
19.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHONG TECK (E-PKG/TCL)	20,000	0.42
20.	LIM KIM NEO	17,000	0.36
21.	LOH SENG SOON	15,000	0.32
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAM KHON CHAI	15,000	0.32
23.	TAN KHYE SENG	12,500	0.26
24.	OOI LEE PENG	9,800	0.21
25.	MARGARET LING LEE NGIOK	5,000	0.11
26.	YAM MOW LAM	4,600	0.10
27.	OOI LIAN HEOK	2,300	0.05
28.	NG YU LIM	1,900	0.04
29.	HO SOO THENG @ HO SOO AUN	1,200	0.03
30.	LIM POH FONG	800	0.02
TOTAL		4,725,200	99.80

NOTICE OF ANNUAL GENERAL MEETING

2014

NOTICE IS HEREBY GIVEN that the Twenty-Eighth 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 Darul Aman, Malaysia on Monday, 22 June 2015 at 11:00 a.m. for the following purposes:-

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **Please refer to the Explanatory Notes**
2. To approve the increase in Directors' fees and the payment of Directors' fees of RM360,000 for the financial year ending 31 December 2015. **Resolution 1**
3. To re-elect Mr Liang Wooi Gee who retires in accordance with Article 133 of the Company's Articles of Association. **Resolution 2**
4. To re-elect Mr Lim See Meng who retires in accordance with Article 133 of the Company's Articles of Association. **Resolution 3**
5. To re-elect Mr Wee Song He, Wilson who retires 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)

Company Secretary

Penang

Date: 29 May 2015

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 12 June 2015 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 2014 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 even though 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.

As at the date of this Notice, 119,000,000 new ordinary shares of RM0.10 each pursuant to the Private Placement were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 23 June 2014. The total proceeds of RM11,900,000 from private placement exercise has not been utilised.

A renewal of this authority is being sought at the Twenty-Eighth Annual General Meeting 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.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Rule 6.04(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

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PROXY FORM

2014

* 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-Eighth 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 Darul Aman, Malaysia on Monday, 22 June 2015 at 11:00 a.m. and any adjournment thereof.

AGENDA

1.	To receive the Audited Financial Statements for the year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.		
Resolutions		For	Against
Ordinary Business:			
2.	To approve the increase and payment of Directors' fees.		
3.	To re-elect Mr. Liang Wooi Gee as Director.		
4.	To re-elect Mr. Lim See Meng as Director.		
5.	To re-elect Mr. Wee Song He, Wilson as Director.		
6.	To re-appoint Messrs Grant Thornton as the Company's Auditors.		
Special Business:			
7.	To authorize Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		

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, 2015.

.....
 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 it 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 12 June 2015 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 Secretary
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)

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

Tel : 604-441 7980
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