

ANNUAL REPORT 2015

luster
Creating Values





Promoting
Sustainability &
Green

CONTENTS

02 Corporate Information	38 Independent Auditors' Report To The Members
03 Group Structure	40 Statements Of Financial Position
04 Statement From The Chairman	41 Statements Of Comprehensive Income
07 Board Of Directors	42 Consolidated Statement Of Changes In Equity
08 Directors' Profile	44 Statement Of Changes In Equity
11 Financial Highlights	45 Statements Of Cash Flows
12 Statement On Corporate Governance	48 Notes To The Financial Statements
23 Statement On Corporate Social Responsibility	96 Supplementary Information
24 Statement On Risk Management And Internal Control	97 List Of Properties
26 Audit Committee Report	98 Analysis Of Shareholdings
31 Other Information	106 Notice Of Annual General Meeting
32 Directors' Report	109 Statement Accompanying Notice Of Annual General Meeting
37 Directors' Statement	Proxy Form
37 Statutory Declaration	

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

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

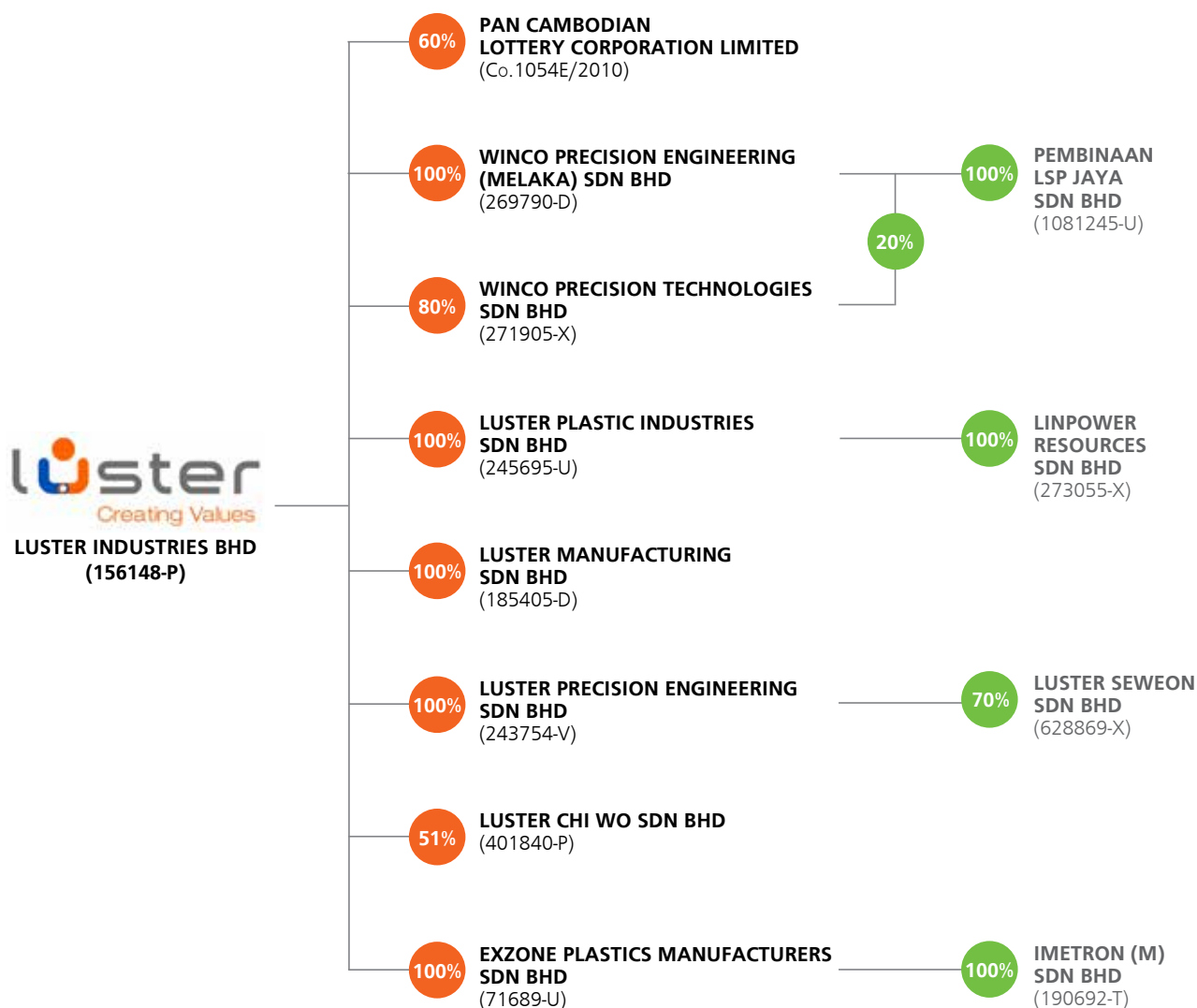
Share Registrar

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



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 2015.

In 2015, key emerging and developing economies continued to experience a further deceleration in activities. High-income countries however, managed to record a modest recovery. Nevertheless, this modest recovery in the high-income countries had been overshadowed by the deceleration in activities in the key emerging and developing economies. China continues to rebalance its' economy in the face of slowing growth. Brazil and Russia has been going through severe adjustments in the face of external and domestic challenges. The declining commodity prices had hard hit the activities of the emerging and developing commodity exporters.

This had translated to a lower demand from our customers especially from the automotive sector whereby our customers' markets include the key emerging and developing countries. Despite the lower demand in the market, our manufacturing segment's turnover for financial year 2015 had increased by 12.1% from RM101.6 million in 2014 to RM113.6 million. The increase in turnover is mainly due to customers in electrical & electronic industry and hygiene products.

The declining price of commodity in the world market had also affected the further exploration and mining activities of tin of the Group. During the financial year, the Group had decided to halt the exploration and mining activities. However, the Group continues to explore alternative in the mining sector and is currently negotiating with few parties to enlarge the area of mining in order to achieve a more sustainable economy of scale for the operation.

We continue to work with the governmental housing agencies to build the affordable homes in Malaysia. The Board believes that the construction sector has a great potential to grow in view of the growing demand for affordable homes in Malaysia. For financial year 2015, the Group has yet to kick-off the affordable housing project. However the Group had on 9 March 2016 signed a tripartite agreement with the Koperasi Hartanah Malaysia Berhad ("KOHAMA") and Aznel Development Sdn. Bhd. for the construction of one hundred and six (106) units of terrace houses, for a development project with a proposed name called "Taman Tasik 1 Malaysia" at Mukim Pengkalan Hulu, Perak.

STATEMENT FROM THE CHAIRMAN (cont'd)

We believe that we have to continue to explore other opportunities while acknowledging the risks that the Group will be facing. However, we also acknowledge that by staying idle, the Group will also face the risk of declining growth. While pursuing our growth strategy, the Board will take precautionary steps to ensure the success of the new ventures and to mitigate the risks that the Group may face. During the financial year, the Group had ventured into the gaming and leisure segment by acquiring 60% of Pan Cambodian Lottery Corporation Limited in Cambodia. The Board plans to extend and expand the business to include hotel, resort, entertainment center and duty-free outlet in the near future. This segment had contributed a revenue of RM4.0 million for the financial year 2015.

For financial year 2015, the Group had recorded total group revenue of RM117.6 million and loss before taxation of RM14.8 million as compared to total group revenue of RM101.6 million and profit before taxation of RM1.7 million in financial year 2014. The losses were mainly due to goodwill written off of RM12.1 million, the impairment loss on property, plant and equipment in mining sector of RM1.0 million and the impairment loss on receivables of RM1.0 million.

Corporate event review

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

1. On 26 February 2015, the Board announced that an application for an extension of time for further two (2) months period from 26 February 2015 to complete the implementation of the Proposed Private Placement has been submitted on the even date to Bursa Securities for their consideration and approval.
2. The Board had on 10 March 2015 announced that Bursa Securities, vide its letter dated 6 March 2015 (which was received on 10 March 2015), has resolved to grant Luster an extension of time until 26 April 2015 to implement the Proposed Private Placement.
3. The Board had on 10 April 2015 announced that an application for a further extension of time for one (1) month period from 26 April 2015 to complete the implementation of the Private Placement has been submitted on the even day to Bursa Securities for their consideration and approval.
4. On 22 April 2015, the Board announced that Bursa Securities, vide its letter dated 17 April 2015 (which was received on 22 April 2015), has resolved to grant Luster a further extension of time until 26 May 2015 to implement the Private Placement.
5. On 30 April 2015, the Board announced that the Company has entered into a Sale of Shares Agreement with Opal Deluxe Limited for the acquisition of the 600 ordinary shares of USD2,000 each, representing 60% equity interest in Pan Cambodian Lottery Corporation Limited ("PCLCL") for a total cash consideration of USD4,200,000.00 only.
6. The Board had on 5 May 2015 announced that further to the announcement dated 30 April 2015, there were additional salient points added to the Sale of Shares Agreement entered with Opal Deluxe Limited for the acquisition of 60% equity interest in the issued and paid-up shares capital of Pan Cambodian Lottery Corporation Limited.
7. On 8 May 2015, the Board announced that the Board has on the even date fixed the issue price for the first tranche of the placement of 119,000,000 Placement Shares at RM0.10 per Placement Share, being the par value of Luster Shares. The issue price represents a discount of RM0.01 or 9.09% to the five (5)-day volume weighted average market price of the Luster Shares up to and including 7 May 2015, being the last market day immediately preceding the Price-fixing Date of RM0.1100 per Luster Share.
8. The Board had on 19 May 2015 announced that an application for another extension of time until 19 June 2015 to complete the implementation of the Private Placement has been submitted on the even day to Bursa Securities for their consideration and approval.



STATEMENT FROM THE CHAIRMAN (cont'd)

Corporate event review (Cont'd)

9. The Board had on 2 June 2015 announced that Bursa Securities, vide its letter dated 1 June 2015 (which was received on 2 June 2015), has resolved to grant Luster a further extension of time until 19 June 2015 to implement the Private Placement.
10. On 16 June 2015, the Board announced that the Board had on the even date fixed the issue price for the second tranche of the placement of up to 38,033,000 Placement Shares at RM0.10 per Placement Share ("Price-fixing Date"), being the par value of Luster Shares. The issue price represents a premium of RM0.0133 or 15.34% to the five (5)-day volume weighted average market price of the Luster Shares up to and including 15 June 2015, being the last market day immediately preceding the Price-fixing Date of RM0.0867 per Luster Share.
11. The Board had on 19 June 2015 announced that the Private Placement has been completed on 19 June 2015 pursuant to the listing of the remaining 38,033,000 new ordinary shares of RM0.10 each in Luster.
12. On 20 August 2015, the Board announced that the acquisition of 60% equity interest in the issued and paid-up shares capital of Pan Cambodian Lottery Corporation Limited has been completed on 20 August 2015.
13. On 4 September 2015, the Board announced that Opal Deluxe Limited and Luster Industries Bhd. had on 4 September 2015 entered into a supplemental agreement in relation to Sale of Shares Agreement dated 30 April 2015.
14. The Board had on 9 March 2016 announced that Pembinaan LSP Jaya Sdn. Bhd. ("PLSP"), had on the even date entered into a Tripartite Agreement with Aznel Development Sdn. Bhd. and Koperasi Hartanah Malaysia Berhad ("KOHAMA") to develop the lands for the construction of one hundred and six (106) units of terrace houses, for a development project with a proposed name called "Taman Tasik 1 Malaysia" at Mukim Pengkalan Hulu, Perak upon the terms and conditions as stipulated in the Agreement.
15. On 9 March 2016, the Board announced that PLSP had entered into a Profit Sharing Agreement with KOHAMA.
16. The Board had on 31 March 2016 announced that its wholly-owned subsidiary, Luster Precision Engineering Sdn. Bhd. had on the even day transferred its entire equity interest comprising 1,000,000 ordinary shares of RM1.00 each in Pembinaan LSP Jaya Sdn. Bhd. to Winco Precision Engineering (Melaka) Sdn. Bhd., another wholly-owned subsidiary of the Company, for a total cash consideration of RM1,000,000.00 to streamline its operation and activities.

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

Future Development and Challenges

Global growth is projected to edge up in the coming years, but at a slower pace. This pickup is predicated on continued gains in major high-income countries, a gradual tightening of financing conditions, a stabilization of commodity prices and a gradual rebalancing in China.

In the manufacturing segment, we will continue to differentiate ourselves from the other manufacturers by providing more value-added works and services to our customers which include design and development, innovative value-added processes, completeness of production processes and competitive costs. We will further consolidate duplicated activities within the manufacturing group to further enhance our price competitiveness. We are studying to replace and upgrade our production facilities to a higher and different technology in order to reduce the production cycle-time as well as efficiency. We are also exploring the possibilities of process automation in view of the increasing cost of labour. With our corporate rebranding exercise during the financial year, we believe we will be able to continue to attract new talents and with our continuous emphasis in training and retraining, we will be able to upgrade our human capital, which is crucial for our succession plan.

We will continue our effort to explore available opportunities to ensure that the exploration and mining activities are economically and financially feasible. We are currently negotiating with other parties to participate to study on the available options to increase the economic of scale of the operation at reasonable costs. With the predicated stabilization of commodity prices, the Board believes that there will be more certainty in this industry, hence making the exploration and mining activities more economically viable and stable.

We had inked a tripartite agreement on 9 March 2016 for the development of the affordable home project in Perak. We will continue to explore other opportunities in other areas for the affordable housing projects before we embark upon larger projects.

As for the gaming and leisure segment, we will work along with our partner to further expand the digit game business despite several challenges the company is facing lately. We are also planning for the next phase of expansion involving hotel, resort, entertainment center and duty-free outlet.

In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in the financial year 2016.

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) :

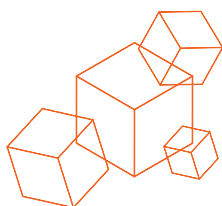
Lim See Hua
(Executive Director)

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



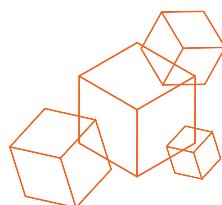
YAM TUNKU DATIN ANNIE DAKHLAH BTE ALMARHUM TUANKU MUNAWIR

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (female), a Malaysian, aged 65, 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.

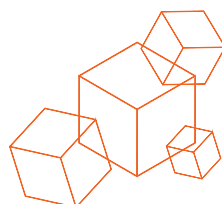


LIM SEE CHEA

Mr. Lim See Chea (male), aged 60, 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 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 until now. As the founder, he has been the driving force behind the development, growth and expansion of the Luster Group. His extensive experience in the plastic injection moulding industry as a result of more than 20 years of experience in the industry has been instrumental in the success of Luster Group.

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

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



LIANG WOUI GEE

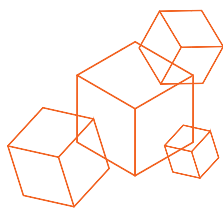
Mr. Liang Wooi Gee (male), aged 44, a Malaysian, was appointed to the Board of Luster as an Executive Director on 30 September 2008, and subsequently appointed as Deputy Managing Director on 28 June 2013. He is the Group Chief Financial Officer. He holds a Higher Diploma In Management Accounting and is currently a finalist of Chartered Institute of Management Accountant ("CIMA").

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

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

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

DIRECTORS' PROFILE (cont'd)



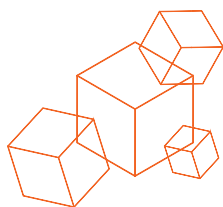
LIM SEE HUA

Mr. Lim See Hua (male), aged 67, a Malaysian, was appointed to the Board of Luster as an Executive Director on 15 May 1996, and subsequently appointed as Deputy Managing Director on 31 May 2004. He was redesignated to Executive Director on 28 June 2013.

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

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

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

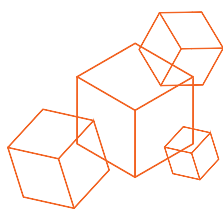


LIM SEE MENG

Lim See Meng (male), aged 62, a Malaysian, is appointed as an Executive Director of Luster Industries Bhd on 12 June 2012. He completed his secondary education in 1976. His involvement in the plastic moulding industry began in 1977 when he joined Italy Art Industry as Supervisor. In 1978, he formed a joint venture company called Eully Plastics Industry Sdn Bhd ("Eully") where he was responsible for the operations of Eully. He left Eully to establish Sonico Industries Sdn Bhd in 1979, where he focused on business development and operations management. In 1984, he joined Exzone Plastics Manufacturers Sdn Bhd ("EPM") as Director and became a minority shareholder in 1987. From 1987 to 2009, he was in charge of the overall operations of EPM. He was appointed as Managing Director of EPM in 2009. During the same year, he became a major shareholder of EPM, holding 46.4% of the equity interest in EPM, equivalent to RM6.3 million of capital. He is instrumental in developing the business of EPM from a conventional household moulder to a high precision and finishing injection moulding company specializing in high finishing Electronic & Electrical products. As one of the pioneers in the company, he has been the driving force behind the development, growth and expansion of EPM.

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

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



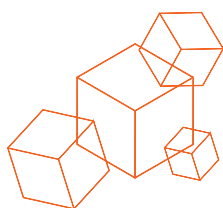
WEE SONG HE, WILSON

Wee Song He, Wilson (male), aged 36, a Singaporean, is appointed as an Executive Director of Luster Industries Bhd on 12 June 2012. He graduated with a Diploma in Digital Film Arts from School of Audio Engineering in 2005. He joined the private education sector for two years, where he was responsible in lecturing key programs and program coordination. In 2007, he joined Winco Precision Engineering (Melaka) Sdn Bhd ("WPESB") and Winco Precision Technologies Sdn Bhd as Executive Director. Apart from being actively involved in the overall coordination, execution and management of all projects undertaken by WPESB, he is responsible for leading the company in conceptualising, formalising and implementing corporate strategies.

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

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

DIRECTORS' PROFILE (cont'd)



LAU THENG CHIM

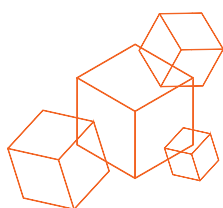
Mr. Lau Theng Chim (male), aged 61, a Malaysian, was appointed as an Independent Non-Executive Director on 30 November 2007. He holds a Bachelor of Commerce degree from Deakin University, Australia. He is a member of Malaysia Institute of Accountants, CPA Australia and Chartered Tax Institute of Malaysia.

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.



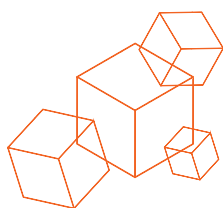
NG CHIN NAM

Mr. Ng Chin Nam (male), aged 46, a Malaysian, was appointed as an Independent Non-Executive Director on 30 September 2008. He has over 20 years of experiences in the field of accounting, auditing, taxation and corporate finance. He started his career in the commercial sector in 1992. After obtaining his professional qualification in Chartered Institute of Management Accountants (CIMA), he joined an international accounting firm in 1997 and was promoted as assistant audit manager. He left the auditing sector in year 2000 and held the position of finance manager in a public listed company until year 2005. In 2007, he left to assume the role as head of MIS, human resources and finance in another listed company.

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

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

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



MOHAMD SHUKRI BIN MOHAMED ZAIN

Mohamed Shukri bin Mohamed Zain (male), a Malaysian, aged 51, was appointed as an Independent Non-Executive Director on 9 March 2010. He received his early education in King George V School in Seremban. Subsequently, he obtained his Bachelor of Science in Business Administration (Marketing and Finance) from Winthrop University, South Carolina, USA in 1987. Upon returning from the US, he was employed by the Federal Land Development Authority Group where he first served as a Purchasing Officer in FELDA Trading Corporation. Thereafter, he was transferred to FELDA Marketing Corporation (FELMA) in 1991. In 1993, he was put in charge of FELMA's London office, which served as Malaysia's main palm oil trading office for both the European and the American markets. In 1996, Mohamed Shukri together with some partners incorporated a logistics company, MayGlobe Logistics (M) Sdn Bhd. He was one of the main shareholders and served as the Group Managing Director from the inception of the company until late 2006. He is the Managing Director of Nano Quest (M) Sdn Bhd, a company which treats palm oil mill effluent as well as a director of Greater Tampin Oto Sdn Bhd operating a Honda distributorship in Negeri Sembilan.

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

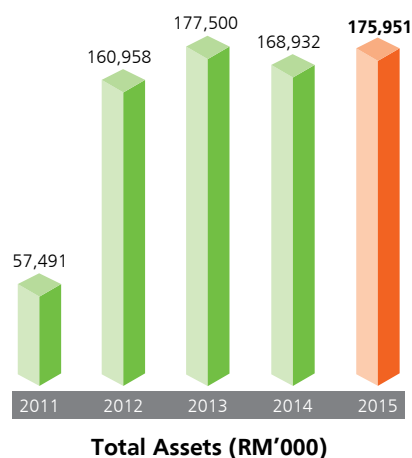
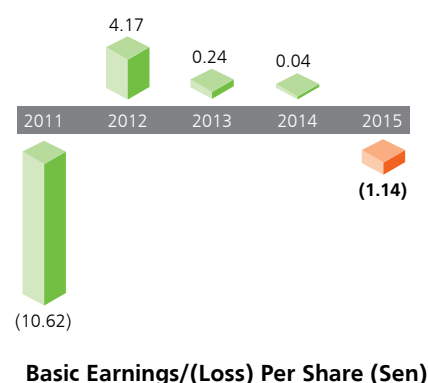
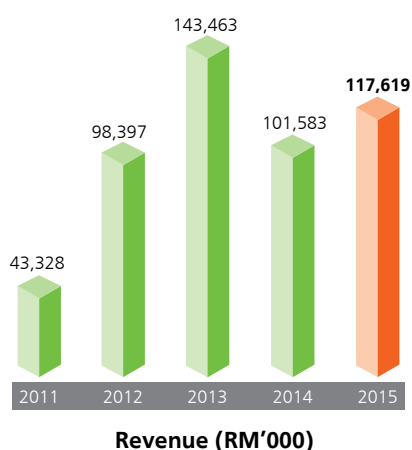
He does not have any family relationship with any other directors and/ or major shareholders of the Company and has no conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years other than traffic offence, if any.

FINANCIAL HIGHLIGHTS

Five Years Financial Highlights

	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue	43,328	98,397	143,463	101,583	117,619
Profit/(Loss) Before Taxation	(6,511)	34,037	8,817	1,744	(14,844)
Profit/(Loss) After Taxation	(6,495)	31,760	5,509	779	(17,297)
Profit/(Loss) After Taxation and Minority Interest	(6,495)	30,226	3,092	612	(18,034)
Paid-up Capital	61,183	108,801	138,693	157,432	173,191
Total Assets	57,491	160,958	177,500	168,932	175,951
Shareholders' Funds	(26,168)	107,177	140,368	150,752	149,526
Basic Earnings/(Loss) Per Share (Sen)	(10.62)	4.17	0.24	0.04	(1.14)
Net Assets Per Share (RM)*	(0.43)	0.10	0.10	0.10	0.09

* Ordinary shares of RM1 each (2011)/ RM0.10 each (2012 to 2015)





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

1.1 Board Composition and Board Balance

The Board currently consists of nine (9) members, comprising five (5) Executive Directors and four (4) Independent Non-Executive Directors. The Board is led by an Independent Chairman. The number of Independent Directors is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), which requires the Board to have at least two (2) or 1/3 of the Board of Directors, whichever is higher, to be Independent Directors.

The Board has within it, professionals drawn from varied backgrounds who bring with them in-depth and diversity in experience and expertise to the Group’s operations. Together with Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. A brief profile of each Director is presented on pages 8 to 10 of this Annual Report.

1.2 Function of the Board And Management

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

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

1.3 Roles And Responsibility of the Board of Directors and Management

The Board delegates its day-to-day management of the Group’s business to the management team and executive officers, but reserves the some of the crucial matters such as the following:

- Approval of financial results;
- Acquisition and disposal of assets above certain limits;
- Business strategies and planning;
- Strategic planning; and
- Appointment of new directors and key officers.

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.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Principle 1. Establish Clear Roles & Responsibilities (Cont'd)

1.3 Roles And Responsibility of the Board of Directors and Management (Cont'd)

The Management team and Executive officers, led by both of the Group Managing Director, Mr Lim See Chea and the Deputy Managing Director, Mr Liang Wooi Gee, responsible to carry out the overall management of the Group, ensuring that the strategies, policies and matters set by the Board are implemented effectively.

The principal responsibilities of the Board of Directors are as follows:

1. Reviewing and adopting a strategic plan for the Group to ensure sustainability of its business and Group operations;
2. Overseeing the conduct of the Group's Business to evaluate whether the Business is being properly managed notwithstanding that some of the subsidiaries have separate Board of Directors;
3. Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
4. Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Board members and senior management;
5. Developing and implementing an investor relations programme or shareholder communications policy for the Group;
6. Reviewing the adequacy and the integrity of the Group's risk management, internal control systems and management information systems, including systems or reporting framework for compliance with applicable laws, regulations, rules, directives and guidelines; and
7. Determining the remuneration of non-executive Directors, with the individuals concerned abstaining from discussions of their own remuneration.

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

In ensuring that the Business of the Company is effectively managed, each Director has brought in their in-depth knowledge and objectively on their views to the strategic direction of the Company. The Board has reviewed, questioned, deliberated and approved the Management's proposals on the strategic plans of the Company during the Board of Directors' meetings. The Management team has reported the progress of business activities to the Board during the Board of Directors' Meeting in ensuring the implementation of the business is updated and monitored by the Board.

The Board continues to identify potential candidates from time to time to ensure suitability of the candidates as part of the succession planning process.

1.4 Code Of Conduct And Implementation

The Board has adopted a Code of Conduct and a Code of Ethics (the "Codes") which are incorporated in the Board Charter of the Company, and also available on the Company's website. The Code of Conduct spelled out the governance to the management, directors and officers of the Group, including dealing of confidential information and safeguarding of the Group's assets. The Code of Conduct is described in the Rules of Conduct and Disciplinary Procedure in the Employee Handbook and it is introduced to the new officers during the induction programme.

The Code of Ethics formulates the principles and commitments to be applied by the Directors of the Company such as immediate disclosure of all contractual interests whether directly or indirectly with the Company and at all time acts with utmost good faith for the best interest of the shareholders and the Company.

In adhering to good corporate governance practices and with the introduction of the Whistle Blower Protection Act 2010, the Board has put in place a Whistle Blowing Policy (the "Policy") as an avenue for employees and stakeholders to report genuine concerns about unethical behaviour, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. The Policy has disseminated to all staffs. The employees of the Company have been advised to report to the Chairman of Audit Committee or Head of Human Resources on any misconduct or violations of the Codes. The Internal Auditor or persons designated by the Chairman of Audit Committee are responsible to investigate on any complaint from the complainant and appropriate action will be taken, where necessary.

1.5 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 page 23 of this Annual Report.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Principle 1. Establish Clear Roles & Responsibilities (Cont'd)

1.6 Access To Information And Advice

All directors have unrestricted access to the Company's records and business information. Prior to the meetings, the Board and the respective Board Committees are furnished with sufficient and timely Board papers and reports providing updates on financial, operational and corporate plans, developments and results in advance of each meeting to ensure sufficient time is given to facilitate informed discussion and decision-making.

The Directors may seek independent professional advice at the Company's expense in furtherance of their duties, subject to approval by the Board on the fees involved.

1.7 Company Secretary

The Board is of the view that the existing Company Secretary is qualified and competent to support the Board in carrying out its roles and responsibilities.

The Company Secretary plays an advisory role to the Board, particularly in compliance with regulatory requirements and meetings' procedures. The Company Secretary and/or his nominee attend all meetings of the Board of Directors and Committees and ensuring all deliberations during the Board and Committees' meeting are well documented.

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

1.8 Board Charter

The Board has adopted a charter which sets out the duties, responsibilities and function of the Board in accordance with the principles of good corporate governance.

The Board Charter (the "Charter") will be reviewed periodically in order to ensure consistency with the Board's strategic intent and relevant standards of corporate governance. The Charter is published on the Company's corporate website at <https://www.lustergroup.com>.

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.

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 26 to 30 of this Annual Report.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 : Strengthen Composition (Cont'd)

Board Committees (Cont'd)

b) Nominating Committee

The Nominating Committee comprises of three (3) Independent Directors and their attendance of meetings during the financial year 2015 is as follows:

Nominating Committee	Position in Nominating Committee	Directorate	Attendance
Mohamed Shukri bin Mohamed Zain	Chairman	Independent Non-Executive Director	2/2
Lau Theng Chim	Member	Independent Non-Executive Director	2/2
Ng Chin Nam	Member	Independent Non-Executive Director	2/2

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.

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

- Adding Value
- Conformance
- Stakeholder Relationship
- Performance Management

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

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

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

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

In accordance with the Company's Articles of Association, at least one-third of the Directors for the time being, including the Managing Director, are subject to retirement by rotation at each AGM if their number is not three (3) or multiple of three (3), the number nearest to one-third shall retire from office. The Directors to retire in AGM are the Directors who have been longest in office since their appointment or re-election. New Directors appointed to the Board shall also retire at the AGM following the appointment. In any of the circumstances, the Directors are eligible for re-election. These provide an opportunity for shareholders to renew their mandate. The election of each Director is voted on separately. Accordingly, Messrs Ng Chin Nam, Tunku Datin Annie Dakhlah Binti Tuanku Munawir and Encik Mohamed Shukri Bin Mohamed Zain who are eligible, will be offering themselves for re-election at the forthcoming AGM.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM. There is no director who is over the age of 70 years old as at the date of this Annual Report.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 : Strengthen Composition (Cont'd)

Board Committees (Cont'd)

b) Nominating Committee (Cont'd)

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

- Assessed the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Director;
- Reviewed the structure, size and composition of the Board of Directors and its three Committees;
- Reviewed and assessed the mix of skills and experience and size of the Board;
- Reviewed and recommend the re-election or re-appointment of Directors who were retiring and seeking for re-election or re-appointment at the Twenty-Ninth Annual General Meeting;
- Reviewed and recommended to the Board on the nomination of Mr Wong Ken Hong.

The Nominating Committee and the Board does not set any target on gender, ethnicity and age diversity. Currently, the Company will provide equal opportunity to candidates who have the necessary skills, experience, competencies and other attributes regardless of gender, ethnicity and age. Nonetheless, the Company already has a well-diversified Board and the current composition of the Board with a female director, Tunku Datin Annie Dakhlah Binti Tuanku Munawir serves well to Recommendation 2.2 of the Code.

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

c) Remuneration Committee

The Remuneration Committee comprises of majority of independent directors and their attendance of meeting during the financial year 2015 is as follows:

Remuneration Committee	Position in Remuneration Committee	Directorate	Attendance
Ng Chin Nam	Chairman	Independent Non- Executive Director	1/1
Lau Theng Chim	Member	Independent Non-Executive Director	1/1
Liang Wooi Gee	Member	Deputy Managing Director	1/1

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

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

The Committee held one meeting during the financial year 2015 to review remuneration package and Directors' fees for Executive Directors. The Directors are satisfied with the current levels of remuneration, which are in line with the responsibilities expected by the Company. In general, the remuneration is structured so as to link reward to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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 2015 is as follows:

	Fees RM	Salaries RM	Other emoluments RM	Total RM
Executive Directors	168,000	1,269,714	319,754	1,757,468
Non-Executive Directors	180,000	-	22,000	202,000

The number of Directors of the Company whose total remuneration falls into the following bands for the financial year ended 31 December 2015 is tabulated below:

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

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

d) Risk Management Committee

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

Risk Management Committee	Position in Risk Management Committee	Directorate
Lau Theng Chim	Chairman	Independent Non-Executive Director
Liang Wooi Gee	Member	Deputy Managing Director
Lim See Hua	Member	Executive Director
Mohamed Shukri bin Mohamed Zain	Member	Independent Non-Executive Director
Lim See Meng	Member	Executive Director
Wee Song He, Wilson	Member	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.



Board Committees (Cont'd)

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.

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.

The Board notes the recommendation of the Malaysian Code of Corporate Governance 2012 ("MCCG") on the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval on a yearly basis.

The Nominating Committee and the Board assesses the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board. The Nominating Committee had reviewed and assessed the independence of Independent Non-Executive Directors during the financial year and is satisfied with the level of independence demonstrated by the respective Directors. Presently, the tenure of all the Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the MCGG 2012, however, the Nine (9) years term limit of Mr Lau Theng Chim will be completed on 29 November 2016. On this, the Nominating Committee ("NC") and the Board have assessed the independence of Mr Lau Theng Chim after financial year 2015 and recommended him to continue to act as the Independent Non-Executive Director of the Company. The relevant motion on the subject matter will be presented to the shareholders for approval at forthcoming Annual General Meeting.

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 Executive 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.

The Company complied with the recommendation of the MCCG that the Chairman of the Board is an Independent non-executive director of the Company.

Time Commitment

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 31 December 2015. The Directors also understand their responsibility to notify the Chairman before accepting any new directorship.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 4 : Foster Commitment (Cont'd)

Time Commitment (Cont'd)

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 2015 is set out below:

Name	No. of meetings held and attended by Directors
Tunku Datin Annie Dakhlah binti 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)	5/5
Wee Song He, Wilson (Executive Director)	5/5
Wong Ken Hong (Executive Director) ^	0/1
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

^ Appointed on 14 September 2015 and resigned on 2 February 2016

Directors' Training

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

All Directors have attended the Mandatory Accreditation Training Programme during the financial year ended 31 December 2015 as required by Bursa Securities and will continue to attend other relevant training programmes as appropriate to enhance their skills and knowledge.

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

Date	Name of Director	Seminar / Training
11 March 2015	Lau Theng Chim	GST : Services Industries (Professional - Employment, Engineering, Architectural & Surveying Services, Advertising, Telecommunication, Postal & Courier)
12 March 2015	Lau Theng Chim	GST for Property Developers & Construction Industry
14 May 2015	Lau Theng Chim	Tax Planning, Tax Issues and GST Accounting for Property Developers
09 June 2015	Lau Theng Chim	Corporate Briefing Session 2015
25 & 26 August 2015	Lau Theng Chim	National Tax Conference 2015
05 November 2015	Lau Theng Chim	National Tax Seminar
05 November 2015	Liang Wooi Gee & Ng Chin Nam	Malaysian Budget 2016
09 & 10 December 2015	Wong Ken Hong	Mandatory Accreditation Training Programme



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 4 : Foster Commitment (Cont'd)

Directors' Training (Cont'd)

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

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

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

PRINCIPLE 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, assisted by the Audit Committee, oversees the Group's financial reporting process and the quality of the financial reporting of the Group. The Audit Committee reviews the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements. The Audit Committee ensures that the Company releases timely information and announcements on the Group's annual and interim financial statements.

The Audit Committee also had on 27 February 2015 held a private dialogue session with the external auditors without the presence of management during the year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems.

During the financial year, the Audit Committee was briefed on the new accounting standards that would impact the Group's consolidated financial statements by the external auditors at the Audit Committee's meetings.

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.

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 26 to 30 of this Annual Report.

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with various approved accounting standards in the preparation of the Group's financial statements.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

Relationship with Auditors (Cont'd)

For details of the fees paid and/or payable by the Group in respect of audit and non-audit services for the financial year 2015, please refer pages 31 and 78 of this Annual Report. The Audit Committee, having reviewed all the non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services did not affect the independence of the external auditors. The Audit Committee is empowered by the Board to review all issues in relation to appointment and reappointment, resignation or dismissal of external auditors.

The Audit Committee has assessed the suitability and independence of the external auditors. The external auditors have confirmed that they are independent throughout the conduct of audit engagement in accordance with terms of professional and regulatory requirements. Accordingly, the Audit Committee has recommended the re-appointment of the external auditors at the AGM of the Company.

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.

An overview of the state of internal controls and risk management within the Group is set out on pages 24 & 25 in this Annual Report under the Statement on Risk Management and Internal Control.

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 24 & 25 the Annual Report.

The Management regularly reviews the system of internal controls to ensure that there are sufficient checks and balances to safeguard the Company's assets. The Audit Committee ensures that these controls are effective by appointing Messrs IBDC (Malaysia) Sdn. Bhd. as the Internal Auditors. The Internal Auditors work within the scope of an audit plan, which has been approved by the Audit Committee, to review and test the adequacy and effectiveness of the internal controls of the Group. The External Auditors will, in the course of their statutory audit, conduct a review of the internal control procedures and highlight any internal control weaknesses which have come to their attention. All audit findings and recommendations made by the Internal and External Auditors are reported to the Audit Committee. Any significant issues are discussed at the Audit Committee' meetings.

The Internal Auditors will follow up on all its recommendations to ensure that Management has implemented them in a timely and appropriate fashion. The Internal Auditors support the Audit Committee in its role to assess the effectiveness of the Group's overall system of internal controls. The assistance provided by the Internal Auditors is primarily accomplished through their appraisals of the financial and operational controls, policies and procedures established by Management and their reviews for compliance by the Group's operating entities with these established controls, policies and procedures. The Internal Auditors report directly to the Audit Committee on audit matters.

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 announcements 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 as well as the Bursa Malaysia's website.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

The 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 presence are given the opportunity to present their views or to seek more information.

Resolutions tabled and passed at the AGM are released to Bursa Malaysia on the same day. 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 2015.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 25 April 2016.



STATEMENT ON 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 activities have been carried out.

The Group 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. Workplaces are maintained to comply with acceptable standards of safety and health. Regular inspections are taken to ensure company's infrastructures are well maintained.

As employees are viewed as the greatest asset, the Group continuously organise various trainings and participate in seminars aiming to upgrade their skills and knowledge. The Group had also participated in 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, family day 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 had involved in the construction of affordable houses with Koperasi Hartanah Malaysia Berhad (KOHAMA) in 2016. KOHAMA spearheads a project known as Kediaman Mampu Milik 1Malaysia (KMM1M). Under the KMM1M project, KOHAMA will build 70,000 units of houses in various states in Malaysia by 2025. Its focus is on building one-storey terrace houses which would be sold at a lower price of between RM130,000.00 to RM160,000.00, instead of the market price which can reach RM200,000. The cooperation between the Group and KOHAMA is a good measure which serves to benefit lower income citizens on a whole. With the collaboration Luster, the KMM1M project may achieve its objectives within a shorter timeframe.

The Group has over the years contributed generously to Kuala Muda Badminton Association ("KMBA") to promote badminton sports in Kuala Muda district. KMBA has over the years produced many notable badminton players which includes Dato' Lee Chong Wei and Chong Wei Feng.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to provide the following Statement of Risk Management and Internal Control ("Statement"), which is made pursuant to the Paragraph 15.23(b) Main Market of Listing Requirements and the Malaysian Code on Corporate Governance 2012 with regards to the nature and scope of risk management and internal control of the Group during the financial year.

Responsibility

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

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

Risk Management

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

The objectives of the risk management framework are:

- To 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 (RRPT) on a quarterly basis to ensure that such transactions are made on normal commercial terms that are not more favourable to the related parties than those generally available to the public and not detrimental to the Group or minority shareholders. The RRPT was reported to the Audit Committee during the quarterly meetings.



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 2015 Annual Report. This Statement is reviewed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

Conclusion

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

This statement on internal control is made in accordance with a resolution of the Board of Directors dated 25 April 2016.



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 2015, 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 2015;
- met with the external auditors twice (2) during the financial year ended 31 December 2015 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 2015 of the Company, the scope and focus of the internal audit programmes;



AUDIT COMMITTEE REPORT (cont'd)

Summary of Activities of the Committee (Cont'd)

- 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.

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 RM34,881.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 24 to 25 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: -

- The Audit Committee must be composed of not less than three (3) members;
- All Audit Committee must be non-executive directors and a majority of the Audit Committee must be independent Directors; and
- At least one (1) member of the Audit Committee:-
 - must be a member of the Malaysian Institute of Accountants; or
 - 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
 - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 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.



AUDIT COMMITTEE REPORT (cont'd)

Meetings

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

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

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

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

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

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

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:
 - Any changes in or implementation of accounting policies and practices;
 - Major judgment areas;
 - Significant adjustments proposed by the external auditors;
 - Going concern assumption;
 - Compliance with accounting standards;
 - Compliance with stock exchange and legal requirements; and
 - 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:
 - 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;
 - 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;
 - 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;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of senior staff members of the internal audit function; and
 - Take 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;



AUDIT COMMITTEE REPORT (cont'd)

Duties and Responsibilities (Cont'd)

- 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 2015, no offer was made to employees, the details of which are as below:

Grant date	Expiry date	Exercise Price RM/share	Outstanding as at 01.01.2015 ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	Outstanding as at 31.12.2015 ('000)
15.06.2012	14.06.2017	0.10	73,396	-	(340)	(7,030)	66,026
29.08.2014	14.06.2017	0.105	16,100	-	(50)	(4,800)	11,250

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 2015. A total of 30,000,000 options are still outstanding for the Directors.



AUDIT COMMITTEE REPORT (cont'd)

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

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

Name of Director	Granted ('000)	Exercised ('000)
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (Independent Non-Executive Chairman)	4,000	-
Lau Theng Chim (Independent Non-Executive Director)	3,000	-
Ng Chin Nam (Independent Non-Executive Director)	3,000	-
Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)	3,000	-

Granted to Directors & Senior Management	During the financial year ended 31 December 2015	Since commencement of the ESOS on 15 June 2012
Aggregate Maximum Allocation	-	60.0%
Actual Allocation	-	45.3%



OTHER INFORMATION

1) Non-Audit Fees

During the financial year, the non-audit fees paid or payable to the external auditors and a company affiliated to the auditors were RM54,962 and RM27,150 respectively. The non-audit fees are in relation to review of Statement on Risk Management and Internal Control, due diligent audit and taxation services.

2) Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature for the year ended 31 December 2015

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

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

Details of ESOS has been duly detailed on pages 33, 93 and 94 of this Annual Report.

4) Utilisation of Proceeds

On 14 May 2015 and 17 June 2015, the Company had issued 119,000,000 and 38,033,000 new ordinary shares of RM0.10 each respectively. As at 31 December 2015, below is the status of utilisation of the proceeds from the above private placement:-

Shares Issue	Total Proceed RM'000	Utilised RM'000	Unutilised RM'000
To fund working capital for new projects and defray corporate exercise related expenses	15,703	9,680	6,023

5) Share Buy-Back

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

6) Options or Warrants or Convertible Securities

There were no options or warrants or Convertible Securities issued by the Company during the financial year ended 31 December 2015.

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

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

8) Sanctions and/or Penalties

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

9) Variation in Results

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

10) Profit Guarantee

There were no profit guarantees given or received by the Company or its subsidiary companies during the financial year except the following:

On 30 April 2015, the Company has acquired 60% equity interest in the issued and paid-up shares capital of Pan Cambodian Lottery Corporation Limited ("PCLCL") which had resulted in vendor of PCLCL providing the Company with 3 years profit guarantee. Specifically, the Profit After Tax ("PAT") for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 shall not be less than USD500,000, USD1,000,000 and USD1,500,000 respectively. PCLCL had achieved PAT of more than USD500,000 in financial year ended 31 December 2015.

11) Material Contracts involving Directors and Major Shareholders

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



DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 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.

RESULTS

	GROUP RM	COMPANY RM
Loss after tax for the year	(17,297,314)	(18,606,302)
Attributable to:		
Owners of the Company	(18,033,803)	(18,606,302)
Non-controlling interests	736,489	-
	(17,297,314)	(18,606,302)

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 2015** 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 RM157,432,201 to RM173,190,891 by way of the issuance of:

- 157,033,000 new ordinary shares of RM0.10 each pursuant to a private placement for a total cash consideration of RM15,703,300;
- 163,900 ordinary shares of RM0.10 each pursuant to the conversion of 163,900 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
- 390,000 new ordinary shares of RM0.10 each for cash pursuant to the exercise of employee share options at a weighted average price of RM0.10 per ordinary share.



DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 16.2 to the financial statements.

As at 31 December 2015, 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 1.1.15	Granted and Accepted	Exercised	Lapsed	Balance at 31.12.15
15.6.12	14.6.17	0.10	73,396,000	-	(340,000)	(7,030,000)	66,026,000
29.8.14	14.6.17	0.105	16,100,000	-	(50,000)	(4,800,000)	11,250,000

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 32 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

Wong Ken Hong (appointed on 14.9.15 and resigned on 2.2.16)



DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 1.1.15	Bought	Sold	Balance at 31.12.15
The Company				
Direct Interest:				
Lim See Chea	184,301,457	-	-	184,301,457
Liang Wooi Gee	22,022,857	-	-	22,022,857
Lim See Hua	2,330,450	-	-	2,330,450
Lim See Meng	19,384,600	-	-	19,384,600
Wee Song He, Wilson	132,051,220	-	-	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 1.1.15	Bought	Converted	Balance at 31.12.15
# Other Interest:				
Lim See Meng	2,300	-	-	2,300
----- Number of Warrants A -----				
	Balance at 1.1.15	Bought	Sold	Balance at 31.12.15
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 2015

DIRECTORS' INTERESTS (CONT'D)

	———— Number of options over ordinary shares of RM0.10 each ———			
	Balance at 1.1.15	Granted and accepted	Exercised	Balance at 31.12.15
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
- (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.



DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

OTHER STATUTORY INFORMATION (CONT'D)

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 DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Significant events subsequent to the financial year are disclosed in Note 34 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: 18 April 2016



DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 40 to 95 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 2015** 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 96 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: 18 April 2016

STATUTORY DECLARATION

I, **Lim See Chea**, 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 40 to 95 and the supplementary information set out on page 96 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 **18th**)
day of **April 2016**.)

.....
Lim See Chea

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)

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 2015** 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 40 to 95.

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 2015** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act,
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements,
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
- (d) The auditors' reports on the financial statements 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 96 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

John Lau Tiang Hua
No. 1107/03/18 (J)
Chartered Accountant

Date: 18 April 2016

Penang



STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	NOTE	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	64,006,606	74,989,100	4,298,236	10,099,592
Investment in subsidiaries	5	-	-	129,122,791	131,669,864
Goodwill on consolidation	6	25,250,788	20,729,268	-	-
		89,257,394	95,718,368	133,421,027	141,769,456
Current assets					
Inventories	7	13,718,841	13,244,390	-	-
Trade receivables	8	25,368,477	19,862,640	-	-
Other receivables, deposits and prepayments	9	13,858,978	10,244,860	277,704	672,291
Amount due from subsidiaries	10	-	-	4,833,904	3,944,222
Current tax assets		986,068	792,476	70,996	-
Fixed deposits with licensed banks	11	7,368,733	6,302,117	32,799	31,751
Cash and bank balances	12	18,535,430	22,767,253	225,241	764,370
		79,836,527	73,213,736	5,440,644	5,412,634
Non-current assets held for sale	13	6,856,597	-	5,529,064	-
		86,693,124	73,213,736	10,969,708	5,412,634
TOTAL ASSETS		175,950,518	168,932,104	144,390,735	147,182,090
EQUITY AND LIABILITIES					
Share capital	14	173,190,891	157,432,201	173,190,891	157,432,201
Irredeemable convertible unsecured loan stocks	15	473,460	489,850	473,460	489,850
Other reserves	16	(24,138,284)	(7,169,618)	(37,262,772)	(18,869,834)
Equity attributable to owners of the Company		149,526,067	150,752,433	136,401,579	139,052,217
Non-controlling interests		1,646,191	-	-	-
Total equity		151,172,258	150,752,433	136,401,579	139,052,217
Non-current liabilities					
Borrowings	17	1,066,783	1,543,937	-	-
Deferred tax liabilities	18	2,100,000	1,452,001	658,000	-
		3,166,783	2,995,938	658,000	-
Current liabilities					
Trade payables	19	10,502,718	7,096,182	-	-
Other payables and accruals	20	7,536,285	4,985,738	888,176	276,274
Amount due to subsidiaries	10	-	-	6,442,980	7,595,439
Borrowings	17	3,193,268	2,842,984	-	-
Current tax liabilities		379,206	258,829	-	258,160
		21,611,477	15,183,733	7,331,156	8,129,873
Total liabilities		24,778,260	18,179,671	7,989,156	8,129,873
TOTAL EQUITY AND LIABILITIES		175,950,518	168,932,104	144,390,735	147,182,090

The notes set out on pages 48 to 95 form an integral part of these financial statements.



The notes set out on pages 48 to 95 form an integral part of these financial statements.



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The notes set out on pages 48 to 95 form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Attributable to Owners of the Company									
	Non-distributable									
	Share Capital	ICULS	Share Premium	Warrants Reserve	Discount on Shares	ESOS Reserve	Capital Reserve	Accumulated Losses	Total	Non-controlling Interests
	RM	RM	RM	RM	RM	RM	RM	RM	RM	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
Net profit, representing total comprehensive income during the year	-	-	-	-	-	-	-	611,809	611,809	167,150
Transactions with owners of the Company:										
Issuance of shares pursuant to conversion of ICULS	18,310,150	(18,310,150)	-	-	-	-	-	-	-	-
Share options exercised	429,000	-	95,238	-	-	(95,238)	-	-	429,000	-
Share-based-payment transactions	-	-	-	-	-	924,253	-	-	924,253	-
Acquisition of a subsidiary from non-controlling interests	-	-	-	-	-	-	8,419,642	-	8,419,642	(11,419,642)
Total transactions with owners	18,739,150	(18,310,150)	95,238	-	-	829,015	8,419,642	-	9,772,895	(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	-

The notes set out on pages 48 to 95 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Attributable to Owners of the Company						Total Equity RM
	Share Capital RM	ICULS RM	Share Premium RM	Non-distributable Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	
2015							
Balance at beginning	157,432,201	489,850	941,713	22,618,076	(22,618,076)	2,255,005	139,052,217
Net loss, representing total comprehensive loss for the year	-	-	-	-	-	-	(18,606,302)
Transactions with owners of the Company:							
Issuance of shares pursuant to:							
- Conversion of ICULS	16,390	(16,390)	-	-	-	-	-
- Private placement	15,703,300	-	-	-	-	-	15,703,300
- Share options exercised	39,000	-	9,473	-	-	(9,223)	39,250
Share-based-payment transactions	-	-	-	-	-	(485,248)	213,114
Total transactions with owners	15,758,690	(16,390)	9,473	-	-	(494,471)	15,955,664
Balance at end	173,190,891	473,460	951,186	22,618,076	(22,618,076)	1,760,534	136,401,579
2014							
Balance at beginning	138,693,051	18,800,000	846,475	22,618,076	(22,618,076)	1,425,990	142,973,284
Net loss, representing total comprehensive loss for the year	-	-	-	-	-	-	(5,274,320)
Transactions with owners of the Company:							
Issuance of shares pursuant to conversion of ICULS	18,310,150	(18,310,150)	-	-	-	-	-
Share options exercised	429,000	-	95,238	-	-	(95,238)	429,000
Share-based-payment transactions	-	-	-	-	-	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	139,052,217

Transactions with owners of the Company:

Issuance of shares pursuant to:

- Conversion of ICULS
- Private placement
- Share options exercised
- Share-based-payment transactions

Total transactions with owners

Transactions with owners of the Company:

- Issuance of shares pursuant to conversion of ICULS
- Share options exercised
- Share-based-payment transactions
- Total transactions with owners

The notes set out on pages 48 to 95 form an integral part of these financial statements.



STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	(14,844,391)	1,744,086	(17,352,639)	(4,977,366)
Adjustments for:				
Bad debts	-	-	2,911	2,882
Depreciation	6,005,384	5,550,418	475,207	400,794
Dividend income	-	-	(4,000,500)	-
Loss/(Gain) on disposal of property, plant and equipment	18,344	(3,329,169)	(144,429)	(3,222,394)
Impairment loss on goodwill on consolidation	12,137,398	-	-	-
Impairment loss on investment in subsidiaries	-	-	19,718,773	7,000,001
Impairment loss on property, plant and equipment	959,556	-	-	-
Impairment loss on trade receivables	993,477	-	-	-
Interest expense	240,368	252,125	-	-
Interest income	(712,736)	(500,564)	(40,347)	(9,262)
Property, plant and equipment written off	167,052	5,498	167,051	-
Share-based compensation pursuant to ESOS granted	213,114	924,253	213,114	924,253
Unrealised gain on foreign exchange	(920,348)	(534,631)	-	-
Operating profit/(loss) before working capital changes	4,257,218	4,112,016	(960,859)	118,908
Increase in inventories	(474,451)	(40,315)	-	-
(Increase)/Decrease in receivables	(7,074,743)	5,650,325	394,587	(299,693)
Decrease/(Increase) in payables	4,731,056	(7,442,137)	611,902	(44,818)
Cash generated from/(used in) operations	1,439,080	2,279,889	45,630	(225,603)
Income tax paid	(1,966,836)	(1,906,034)	(945,044)	(51,451)
Income tax refunded	88,697	6,348	20,225	-
Real property gains tax paid	-	(28,179)	-	(28,179)
Interest paid	(240,368)	(252,125)	-	-
Net cash (used in)/from operating activities	(679,427)	99,899	(879,189)	(305,233)

The notes set out on pages 48 to 95 form an integral part of these financial statements.



STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Net cash (used in)/from operating activities	(679,427)	99,899	(879,189)	(305,233)
CASH FLOWS FROM INVESTING ACTIVITIES				
(i) Cash flows on acquisition of a subsidiary	(17,105,828)	-	-	-
Dividend received	-	-	4,000,500	-
Interest received	701,580	490,438	40,347	9,262
Investment in a subsidiary	-	-	(17,171,700)	-
Purchase of shares from non-controlling interests	-	(3,000,000)	-	(3,000,000)
Proceeds from disposal of property, plant and equipment	85,858	4,859,249	212,304	4,645,973
(ii) Purchase of property, plant and equipment	(1,940,360)	(8,194,073)	(437,841)	(1,142,575)
Withdrawal/(Placement) of fixed deposits	114,812	(2,995,029)	-	-
Net cash (used in)/from investing activities	(18,143,938)	(8,839,415)	(13,356,390)	512,660
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of bankers' acceptance	500,000	1,500,000	-	-
Net change in subsidiaries' balances	-	-	(2,045,052)	(388,263)
Payment of finance lease liabilities	(1,384,815)	(1,699,888)	-	-
Proceeds from private placement	15,703,300	-	15,703,300	-
Proceeds from ESOS exercised	39,250	429,000	39,250	429,000
Repayment of term loan	(27,886)	(26,686)	-	-
Net cash from financing activities	14,829,849	202,426	13,697,498	40,737
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,993,516)	(8,537,090)	(538,081)	248,164
Effects of foreign exchange rates changes	931,964	301,908	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	24,923,467	33,158,649	796,121	547,957
CASH AND CASH EQUIVALENTS AT END	21,861,915	24,923,467	258,040	796,121
Represented by:				
Fixed deposits with licensed banks	3,326,485	2,156,214	32,799	31,751
Cash and bank balances	18,535,430	22,767,253	225,241	764,370
	21,861,915	24,923,467	258,040	796,121

The notes set out on pages 48 to 95 form an integral part of these financial statements.



STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
(i) Cash flows on acquisition of a subsidiary				
Property, plant and equipment	341,495	-	-	-
Receivables	2,668,105	-	-	-
Cash and bank balances	65,872	-	-	-
Payables	(1,048,305)	-	-	-
Net assets	2,027,167	-	-	-
Less: Non-controlling interest	(810,867)	-	-	-
Share of net assets acquired	1,216,300	-	-	-
Goodwill on consolidation (Note 13)	15,955,400	-	-	-
Total purchase consideration	17,171,700	-	-	-
Less: Cash and bank balances	(65,872)	-	-	-
Cash flows on acquisition of a subsidiary	17,105,828	-	-	-
(ii) Purchase of property, plant and equipment				
Total acquisition cost	2,726,191	8,422,073	437,841	1,142,575
Acquired under finance lease	(785,831)	(228,000)	-	-
Total cash acquisition	1,940,360	8,194,073	437,841	1,142,575

The notes set out on pages 48 to 95 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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 18 April 2016.

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 ("MFRS"), International Financial Reporting Standards ("IFRS") 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 MFRS

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 July 2014

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

2. BASIS OF PREPARATION (CONT'D)

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

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

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 financial 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 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

Annual Improvements to MFRSs 2012–2014 Cycle

Effective for financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures

The initial application of the above standards is not expected to have any financial 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.

2.6.1 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

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 intangible assets

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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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%

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3.6.4 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (Cont'd)

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 Non-current Assets Held for Sale

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

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

3.10 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 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.

3.12 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.

3.13 Income Recognition

- (i) **Sale of goods**
Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers.
- (ii) **Management fee**
Management fee is recognised on an accrual basis when services are rendered.
- (iii) **Lottery betting**
Revenue from lottery betting is recognised on ticket sales, net of sales tax, relating to draw days within the financial year.
- (iv) **Rental income**
Rental income is recognised on a time proportion basis over the lease term.
- (v) **Interest income**
Interest income is recognised on a time proportion basis using the applicable effective interest rate.

3.14 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee Benefits (Cont'd)

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.

3.15 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.

3.16 Goods and Services Tax

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Goods and Services Tax (Cont'd)

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

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

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

3.17 Foreign Currency Translations

Foreign currency transactions

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

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

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

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

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

Foreign Operations

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.22 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 2015

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

2015

At cost

	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	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
Acquisition of a subsidiary	-	-	-	-	288,000	-	-	113,200	-	401,200
Additions	-	-	1,014,020	1,145,683	419,729	72,000	70,886	3,873	-	2,726,191
Disposals	-	-	-	(68,251)	(55,858)	-	-	-	-	(124,109)
Written off	-	-	-	(16,178,814)	(4,860,633)	-	-	-	-	(21,039,447)
Reclassified to non-current assets held for sale	-	(1,935,017)	(7,299,320)	-	-	(27,366)	-	-	-	(9,261,703)
Foreign currency translation	-	-	-	-	35,863	-	-	14,060	-	49,923
Balance at end	1,704,146	5,098,453	42,831,544	75,508,650	7,003,843	4,006,243	3,817,072	219,301	1,273,556	141,462,808

Accumulated depreciation

	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	-	1,286,139	6,912,398	56,145,672	9,474,305	2,717,745	2,778,916	85,316	-	79,400,491
Acquisition of a subsidiary	-	-	-	-	42,763	-	-	16,942	-	59,705
Current charge	-	113,667	916,757	3,909,617	420,434	222,982	410,983	10,944	-	6,005,384
Disposals	-	-	-	(19,907)	-	-	-	-	-	(19,907)
Written off	-	-	-	(15,319,784)	(4,855,006)	-	-	-	-	(20,174,790)
Reclassified to non-current assets held for sale	-	(442,108)	(1,936,208)	-	-	(22,979)	-	-	-	(2,401,295)
Foreign currency translation	-	-	-	-	5,236	-	-	2,076	-	7,312
Balance at end	-	957,698	5,892,947	44,715,598	5,087,732	2,917,748	3,189,899	115,278	-	62,876,900

Accumulated impairment loss

	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	-	-	2,818,435	11,226,906	-	275,821	-	-	-	14,321,162
Current charge	-	-	-	-	-	-	-	-	959,556	959,556
Written off	-	-	-	(697,605)	-	-	-	-	-	(697,605)
Reclassified to non-current assets held for sale	-	-	-	-	-	(3,811)	-	-	-	(3,811)
Balance at end	-	-	2,818,435	10,529,301	-	272,010	-	-	959,556	14,579,302
Carrying amount	1,704,146	4,140,755	34,120,162	20,263,751	1,916,111	816,485	627,173	104,023	314,000	64,006,606

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
31 DECEMBER 2015ANNUAL REPORT 2015



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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
2015							
At cost							
Balance at beginning	2,170,017	11,056,847	23,526,675	4,855,792	677,201	154,771	42,441,303
Additions	-	433,000	-	4,841	-	-	437,841
Disposals	-	-	(7,517,034)	-	-	-	(7,517,034)
Reclassified to non-current assets held for sale	(1,370,017)	(6,364,320)	-	-	(27,366)	-	(7,761,703)
Written off	-	-	(16,009,641)	(4,860,633)	-	-	(20,870,274)
Balance at end	800,000	5,125,527	-	-	649,835	154,771	6,730,133
Accumulated depreciation							
Balance at beginning	591,495	2,993,900	21,636,709	4,854,232	664,379	154,764	30,895,479
Current charge	33,992	213,955	226,213	774	270	3	475,207
Disposals	-	-	(6,712,310)	-	-	-	(6,712,310)
Reclassified to non-current assets held for sale	(406,522)	(1,799,327)	-	-	(22,979)	-	(2,228,828)
Written off	-	-	(15,150,612)	(4,855,006)	-	-	(20,005,618)
Balance at end	218,965	1,408,528	-	-	641,670	154,767	2,423,930
Accumulated impairment loss							
Balance at beginning	-	-	1,434,454	-	11,778	-	1,446,232
Disposals	-	-	(736,849)	-	-	-	(736,849)
Reclassified to non-current assets held for sale	-	-	-	-	(3,811)	-	(3,811)
Written off	-	-	(697,605)	-	-	-	(697,605)
Balance at end	-	-	-	-	7,967	-	7,967
Carrying amount	581,035	3,716,999	-	-	198	4	4,298,236
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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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

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

	GROUP	
	2015 RM	2014 RM
Leasehold land	309,215	1,722,480
Buildings	1,129,609	5,829,592
	1,438,824	7,552,072

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

	GROUP	
	2015 RM	2014 RM
Plant, machinery and moulds	3,310,999	2,987,047
Motor vehicles	523,185	791,378
Office equipment	137,551	-
	3,971,735	3,778,425

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

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

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2015 RM	2014 RM
Unquoted shares, at cost	188,583,116	171,411,416
Less: Accumulated impairment loss	(59,460,325)	(39,741,552)
	129,122,791	131,669,864

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

Name of entity	Effective equity interest		Principal activities
	2015 %	2014 %	
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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of entity	Effective equity interest		Principal activities
	2015 %	2014 %	
Direct			
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	100	Manufacturing of plastic injection moulded parts, sub-assembly of plastic parts and provision of its related services.
* Pan Cambodian Lottery Corporation Limited (Incorporated in Cambodia)	60	-	Lottery operator in Cambodia.
Indirect - held through Luster Precision Engineering Sdn. Bhd.			
* Luster Seweon Sdn. Bhd.	70	70	Dormant.
* Pembinaan LSP Jaya Sdn. Bhd.	100	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	Temporarily ceased operations of mining minerals.
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.			



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries

2015

During the financial year, the Company acquired 60% equity interest in Pan Cambodian Lottery Corporation Limited ("PCL") for a cash consideration of USD4,200,000 pursuant to a Sale of Shares Agreement as disclosed in Note 33.

The acquired subsidiary which qualified as business combination contributed the following results to the Group during the financial year:

	RM
Revenue	3,985,519
Cost of sales	(793,643)
Gross profit	3,191,876
Other income	5,656
Administrative expenses	(1,356,310)
Profit for the period, representing total comprehensive income for the period	<u>1,841,222</u>

If the acquisition had taken place at the beginning of the financial year, the Group's revenue and loss for the year would have been RM122,070,061 and RM16,995,455 respectively.

The effects of the acquisition on the financial position of the Group as at the end of the reporting period are disclosed in Note (i) in the consolidated statement of cash flows.

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.

(b) Subsidiary with non-controlling interests

PCL has material non-controlling interests ("NCI") with an equity interest of 40%.

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

At 31 December 2015

	RM
Non-current assets	322,316
Current assets	4,241,339
Current liabilities	(448,175)
Net assets	<u>4,115,480</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Subsidiary with non-controlling interests (Cont'd)

Year ended 31 December 2015

	RM
Revenue	8,436,844
Net profit, representing total comprehensive income for year	<u>2,143,081</u>

At 31 December 2015

	RM
Net cash generated from:	
Operating activities	111,964
Investing activities	<u>20,764</u>
Net change in cash and cash equivalents	<u>132,728</u>

6. GOODWILL ON CONSOLIDATION

	GROUP	
	2015 RM	2014 RM
Balance at beginning	20,729,268	20,729,268
Recognised during the year	15,955,400	-
Impairment loss	(12,137,398)	-
Currency translation difference	703,518	-
	<u>25,250,788</u>	<u>20,729,268</u>

Impairment testing on goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units ("CGUs") identified as follows:

	GROUP	
	2015 RM	2014 RM
Manufacturing	8,591,870	20,729,268
Lottery	16,658,918	-
	<u>25,250,788</u>	<u>20,729,268</u>

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

Pre-tax discount rate at **9.10%** (2014: 6.60%) was applied to the calculations in determining the recoverable amount of the CGUs. The discount rate is estimated based on the weighted average cost of capital of the Group for the year.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

6. GOODWILL ON CONSOLIDATION (CONT'D)

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

Following management's assessment, it was concluded that the estimated recoverable amounts exceeded the carrying amount of all the CGUs except for a CGU within the manufacturing segment (manufacturing of plastic related parts). As a result, the management has impaired the goodwill of this CGU in full in the current financial year. The impairment charge of RM12,137,398 is recorded within administrative expenses in the Group's profit or loss.

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

7. INVENTORIES

	GROUP	
	2015	2014
	RM	RM
Raw materials	5,994,783	6,006,911
Work-in-progress	2,439,672	2,347,706
Finished goods	5,000,325	4,667,176
Consumables	284,061	222,597
	13,718,841	13,244,390

The cost of inventories recognised as cost of sales during the financial year amounted to **RM90,504,588** (2014: RM91,234,002).

8. TRADE RECEIVABLES

	GROUP	
	2015	2014
	RM	RM
Trade receivables	27,159,554	21,069,381
Less: Accumulated impairment loss		
Balance at beginning	(1,206,741)	(1,206,741)
Current year	(993,477)	-
Written off	409,141	-
Balance at end	(1,791,077)	(1,206,741)
	25,368,477	19,862,640

The currency profile of trade receivables is as follows:

	GROUP	
	2015	2014
	RM	RM
Ringgit Malaysia	19,570,085	15,878,921
US Dollar	4,352,050	2,870,170
Singapore Dollar	1,408,100	1,112,641
Cambodian Riel	36,709	-
Euro	1,533	908
	25,368,477	19,862,640



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

8. TRADE RECEIVABLES (CONT'D)

The normal credit terms granted to trade receivables range from **30 to 120 days** (2014: 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 **RM129,758** (2014: RM276,390) 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	
	2015	2014	2015	2014
	RM	RM	RM	RM
Other receivables	758,664	638,687	143,850	109,129
Less: Accumulated impairment loss				
Balance at beginning	(252,449)	(463,322)	-	(9,623)
Written off	-	13,263	-	9,623
Recovered	-	197,610	-	-
Balance at end	(252,449)	(252,449)	-	-
	506,215	386,238	143,850	109,129
GST receivable	481,458	-	-	-
Refundable deposits (Note 9.1)	5,971,629	2,545,679	78,450	278,450
Non-refundable deposit paid to mine owner (Note 9.2)	2,500,000	2,500,000	-	-
Prepayments (Note 9.3)	4,399,676	4,812,943	55,404	284,712
	13,858,978	10,244,860	277,704	672,291

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Ringgit Malaysia	9,405,581	9,529,173	277,704	672,291
US Dollar	4,453,397	715,687	-	-
	13,858,978	10,244,860	277,704	672,291

Included herein are the following:

- 9.1 (a) Performance bond of **RM1,200,000** (2014: RM1,200,000) paid to Koperasi Hartanah Malaysia Berhad as disclosed in Note 34(i).
- (b) Statutory deposit of **USD500,000** (2014: Nil) placed with the National Bank of Cambodia upon issuance of the gaming license by Ministry of Economy and Finance, Cambodia to PCL.
- 9.2 The deposit was paid by a subsidiary, Linpower Resources Sdn. Bhd. ("LPR") to the mine owner pursuant to a Joint Venture Agreement ("JVA") contracted on 17 June 2014, for the purpose of exploring and carrying out the mining of tin ore and other minerals in Kemaman, Terengganu.

During the financial year, LPR has decided to halt the exploration and mining activities mainly due to the declining price of commodity in the world market. However, LPR continues to explore alternative in the mining sector and is currently negotiating with a few parties to enlarge the area of mining in order to achieve a more sustainable economies of scale for its operations.

- 9.3 Included in prepayments is an amount of **RM3,278,200** (2014: RM3,278,200), being consultancy fees paid for overall project management pertaining to the construction of development projects stated in Note 34(i). This amount will be reclassified to construction costs upon commencement of the construction work.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

10. AMOUNT DUE FROM/TO SUBSIDIARIES

	COMPANY	
	2015 RM	2014 RM
Amount due from subsidiaries:		
Total amount	6,054,683	5,165,001
Less: Accumulated impairment loss	(1,220,779)	(1,220,779)
	4,833,904	3,944,222
Amount due to subsidiaries:		
Total amount	6,442,980	7,595,439

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	
	2015 RM	2014 RM	2015 RM	2014 RM
Unencumbered	3,326,485	2,156,214	32,799	31,751
Pledged as security for banking facilities and finance lease granted to certain subsidiaries	4,042,248	4,145,903	-	-
	7,368,733	6,302,117	32,799	31,751

Included herein is a fixed deposit amounting to **RM114,812** (2014: RM111,764) placed in the name of a director of the Company, in trust for a subsidiary.

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	
	2015	2014	2015	2014
Interest rate	1.50% - 4.10%	1.50% - 3.30%	3.30%	3.30%
Maturity	30 - 365 days	22 - 365 days	365 days	365 days

12. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Short term funds with a licensed financial institution	4,790,104	10,187,731	-	-
Cash and bank balances	13,745,326	12,579,522	225,241	764,370
	18,535,430	22,767,253	225,241	764,370



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

12. CASH AND BANK BALANCES (CONT'D)

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Ringgit Malaysia	10,447,274	20,630,057	224,085	763,214
US Dollar	2,017,903	620,482	117	117
Singapore Dollar	6,055,541	1,516,692	1,017	1,017
Cambodian Riel	14,690	-	-	-
Others	22	22	22	22
	18,535,430	22,767,253	225,241	764,370

Short term funds with a licensed financial institution represent investments in money market with maturity period that range from **1 to 14 days** (2014: 1 to 14 days). The effective interest rates of short term investments at the end of the reporting period range from **2.43% to 3.89%** (2014: 0.13% to 3.15%) per annum.

13. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Reclassified from property, plant and equipment (Note 4):				
Leasehold land and factory buildings	6,856,597	-	5,529,064	-

In the current financial year, the Group and the Company have determined the leasehold land and factory buildings as assets classified as held for sale as they have entered negotiations with potential purchasers to dispose of these assets.

As at the date of these financial statements, these disposals are pending completion as certain terms and conditions in the respective sale and purchase agreements are still unfulfilled.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

14. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2015	2014	2015 RM	2014 RM
Authorised	2,500,000,000	2,500,000,000	250,000,000	250,000,000
Issued and fully paid				
Balance at beginning	1,574,322,010	1,386,930,510	157,432,201	138,693,051
Issuance pursuant to:				
Private placement	157,033,000	-	15,703,300	-
Conversion of ICULS	163,900	183,101,500	16,390	18,310,150
Exercise of share options	390,000	4,290,000	39,000	429,000
Balance at end	1,731,908,910	1,574,322,010	173,190,891	157,432,201

During the financial year, the Company had increased its issued and paid-up ordinary share capital from RM157,432,201 to RM173,190,891 by way of the issuance of:

- 157,033,000 new ordinary shares of RM0.10 each pursuant to a private placement for a total cash consideration of RM15,703,300;
- 163,900 ordinary shares of RM0.10 each pursuant to the conversion of 163,900 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
- 390,000 new ordinary shares of RM0.10 each for cash pursuant to the exercise of employee share options at a weighted average price of RM0.10 per ordinary share.

15. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Number of ICULS of RM0.10 each		Amount	
	2015	2014	2015 RM	2014 RM
Balance at beginning	4,898,500	188,000,000	489,850	18,800,000
Converted to ordinary shares	(163,900)	(183,101,500)	(16,390)	(18,310,150)
Balance at end	4,734,600	4,898,500	473,460	489,850

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:

- 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.
- 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.
- 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

16. OTHER RESERVES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Share premium	951,186	941,713	951,186	941,713
Foreign translation reserve (Note 16.1)	851,773	-	-	-
Warrants reserve (Note 16.2)	22,618,076	22,618,076	22,618,076	22,618,076
Discount on shares (Note 16.2)	(22,618,076)	(22,618,076)	(22,618,076)	(22,618,076)
ESOS reserve (Note 16.3)	1,760,534	2,255,005	1,760,534	2,255,005
Capital reserve (Note 16.4)	8,419,642	8,419,642	-	-
	11,983,135	11,616,360	2,711,720	3,196,718
Accumulated losses	(36,121,419)	(18,785,978)	(39,974,492)	(22,066,552)
	(24,138,284)	(7,169,618)	(37,262,772)	(18,869,834)

16.1 Foreign translation reserve

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

16.2 Warrants reserve and Discount on shares

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

	2015 RM	2014 RM
Warrants A expiring 3 June 2022 (Note 16.2(i))	12,493,076	12,493,076
Warrants B expiring 26 May 2023 (Note 16.2(ii))	10,125,000	10,125,000
	22,618,076	22,618,076

- (i) On 5 June 2012, the Company issued 441,594,505 10-year free detachable warrants 2012/2022 ("Warrants A") pursuant to the Company's restructuring exercise. The Warrants A are constituted by a deed poll dated 23 April 2012. The Warrants A are listed on Bursa Malaysia on 12 June 2012. During the financial year, no Warrants A were exercised. As at 31 December 2015, 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

16. OTHER RESERVES (CONT'D)

16.2 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 2015, 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.

16.3 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.

16.4 Capital reserve

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

17. BORROWINGS

	GROUP	
	2015 RM	2014 RM
Non-current liabilities		
<u>Finance lease liabilities</u>		
Minimum payments:		
Within one year	1,255,991	1,447,447
More than one year and less than two years	621,254	1,004,490
More than two years and less than five years	504,090	577,062
	2,381,335	3,028,999
Future finance charges	(160,433)	(209,113)
	2,220,902	2,819,886
Amount due within one year included under current liabilities	(1,160,511)	(1,311,621)
	1,060,391	1,508,265
<u>Term loan</u>		
Total amount payable	39,149	67,035
Amount due within one year included under current liabilities	(32,757)	(31,363)
	6,392	35,672
	1,066,783	1,543,937
Current liabilities		
Bankers acceptance	2,000,000	1,500,000
Finance lease liabilities	1,160,511	1,311,621
Term loan	32,757	31,363
	3,193,268	2,842,984
Total borrowings	4,260,051	4,386,921

The borrowings are secured by way of:

- Legal charge over certain leasehold land and buildings of the Group as disclosed in Note 4(i),
- Pledge of fixed deposits,
- Joint and several guarantee by certain subsidiaries' directors,
- Corporate guarantee of the Company, and
- Leased assets disclosed in Note 4(ii).



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

17. BORROWINGS (CONT'D)

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

	Average effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
GROUP					
2015					
Bankers acceptance	5.36 to 5.40	2,000,000	2,000,000	-	-
Finance lease liabilities	1.38 to 3.50	2,220,902	1,160,511	577,510	482,881
Term loan	5.35	39,149	32,757	6,392	-
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

18. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Balance at beginning	1,452,001	1,405,000	-	-
Recognised in profit or loss	389,999	(78,999)	369,000	-
	1,842,000	1,326,001	369,000	-
Under provision in prior year	258,000	126,000	289,000	-
Balance at end	2,100,000	1,452,001	658,000	-

The components of deferred tax liabilities as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Property, plant and equipment	2,128,000	1,479,001	658,000	-
Unabsorbed capital allowances	(28,000)	(27,000)	-	-
	2,100,000	1,452,001	658,000	-



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

19. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2015 RM	2014 RM
Ringgit Malaysia	8,463,298	5,665,252
US Dollar	771,178	526,179
Singapore Dollar	1,268,242	904,751
	10,502,718	7,096,182

The trade payables are non-interest bearing and is normally settled within **30 days to 60 days** (2014: 30 days to 60 days) credit terms.

Included in the Group's trade payables is an amount of **RM279,660** (2014: RM235,077) due to companies in which persons connected to certain directors of the Company have substantial financial interest.

20. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	2,801,627	1,366,752	379,504	7,910
GST payable	87,716	-	36,140	-
Accruals and provisions	3,334,025	3,370,453	222,532	193,364
* Deposits received	338,233	55,707	250,000	75,000
Prepayments	974,684	192,826	-	-
	7,536,285	4,985,738	888,176	276,274

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Ringgit Malaysia	7,015,789	4,965,797	888,176	276,274
US Dollar	510,269	4,682	-	-
Singapore Dollar	-	15,259	-	-
Cambodian Riel	6,013	-	-	-
Other	4,214	-	-	-
	7,536,285	4,985,738	888,176	276,274

* Included herein is deposit of **RM175,000** (2014: RM Nil) received from a purchaser in respect of the disposal of the Company's leasehold land and factory building as disclosed in Note 13.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

21. REVENUE

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of goods	113,633,217	101,582,868	-	-
Sale of lottery tickets	3,985,519	-	-	-
Dividend income from a subsidiary	-	-	4,000,500	-
Rental income	-	-	300,000	300,000
Management fee	-	-	2,520,000	2,520,000
	117,618,736	101,582,868	6,820,500	2,820,000

22. OTHER INCOME

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Bad debt recovered	-	5,919	-	-
Gain on disposal of property, plant and equipment	-	3,329,169	144,429	3,222,394
Impairment loss on other receivables recovered	-	197,610	-	-
Interest income	712,736	500,564	40,347	9,262
Mould modification income	1,066,440	590,859	-	-
Realised gain on foreign exchange	741,186	22,666	-	-
Rental income	128,630	127,800	-	-
Unrealised gain on foreign exchange	920,348	534,631	-	-
Miscellaneous income	150,861	480,592	3,333	104,355
	3,720,201	5,789,810	188,109	3,336,011



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

23. (LOSS)/PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
After charging:				
Auditors' remuneration				
- Audit fee				
Statutory audit				
- Company's auditors	95,000	96,500	31,000	27,000
- Other auditors	22,865	3,500	-	-
- Non-audit fees				
Company's auditors	51,962	-	51,962	-
Bad debts	-	-	2,911	2,882
Depreciation	6,005,384	5,550,418	475,207	400,794
* Directors' remuneration for non-executive directors	202,000	152,000	202,000	152,000
Impairment loss on goodwill on consolidation	12,137,398	-	-	-
Impairment loss on investment in subsidiaries	-	-	19,718,773	7,000,001
Impairment loss on property, plant and equipment	959,556	-	-	-
Impairment loss on trade receivables	993,477	-	-	-
Interest expense on:				
- Bankers acceptance	84,389	13,203	-	-
- Finance lease	153,113	234,717	-	-
- Term loan	2,866	4,205	-	-
Loss on disposal of property, plant and equipment	18,344	-	-	-
Preliminary expenses	-	2,630	-	-
Property, plant and equipment written off	167,052	5,498	167,051	-
Realised loss on foreign exchange	135,729	161,066	-	-
Rental of machinery and equipment	61,352	3,300	-	-
Rental of premises	697,076	287,999	-	-
Share-based compensation pursuant to ESOS granted	213,114	924,253	213,114	924,253
** Staff costs	24,570,105	21,493,692	1,804,618	1,848,712



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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

* Directors' remuneration for non-executive directors are as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Allowance	22,000	20,000	22,000	20,000
Fee	180,000	132,000	180,000	132,000
	202,000	152,000	202,000	152,000

** Staff costs

- Wages, salaries, allowances, bonus and incentive	23,096,842	20,037,560	1,651,485	1,669,574
- EPF	1,332,382	1,318,877	149,790	175,544
- SOCSO	140,881	137,255	3,343	3,594
	24,570,105	21,493,692	1,804,618	1,848,712

Directors' remuneration

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Executive directors of the Company				
- Salaries, allowances and incentive	1,466,732	1,422,018	1,408,300	1,422,000
- EPF	122,736	152,254	122,736	149,760
- Fee	168,000	168,000	168,000	168,000
	1,757,468	1,742,272	1,699,036	1,739,760
Executive directors of subsidiaries				
- Salaries, allowances and incentive	889,735	763,619	-	-
- EPF	69,136	73,323	-	-
	958,871	836,942	-	-
Total executive directors' remuneration	2,716,339	2,579,214	1,699,036	1,739,760



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

24. TAX EXPENSE

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Malaysian income tax:				
Based on results for the year				
- Current tax	(1,171,493)	(863,500)	(136,000)	(291,000)
- Deferred tax relating to the origination and reversal of temporary differences	(389,999)	78,999	(369,000)	-
	(1,561,492)	(784,501)	(505,000)	(291,000)
Real property gains tax	-	(28,179)	-	(28,179)
	(1,561,492)	(812,680)	(505,000)	(319,179)
(Under)/Over provision in prior years				
- Current tax	(633,431)	(26,447)	(459,663)	22,225
- Deferred tax	(258,000)	(126,000)	(289,000)	-
	(891,431)	(152,447)	(748,663)	22,225
	(2,452,923)	(965,127)	(1,253,663)	(296,954)

Malaysian income tax is calculated at the statutory tax rate of **25%** (2014: 25%) of the estimated taxable profits for the financial year.

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

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
(Loss)/Profit before tax	(14,844,391)	1,744,086	(17,352,639)	(4,977,366)
Income tax at Malaysian statutory tax rate of 25%	3,711,098	(436,022)	4,338,160	1,244,342
Effect of tax rate in foreign jurisdiction	92,061	-	-	-
Income not subject to tax	1,752,948	431,747	1,000,958	26,089
Expenses not deductible for tax purposes	(5,988,558)	(253,493)	(5,859,529)	(1,503,464)
Movements on net deferred tax assets not recognised	(1,099,313)	(502,707)	-	(55,648)
Changes in tax rate	(29,728)	(24,026)	15,411	(2,319)
Real property gains tax	-	(28,179)	-	(28,179)
	(1,561,492)	(812,680)	(505,000)	(319,179)
(Under)/Over provision in prior years	(891,431)	(152,447)	(748,663)	22,225
	(2,452,923)	(965,127)	(1,253,663)	(296,954)

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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

24. TAX EXPENSE (CONT'D)

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Property, plant and equipment	3,908,000	3,137,000	-	-
Unabsorbed tax losses	(21,850,000)	(19,870,000)	-	-
Unabsorbed capital allowances	(12,015,000)	(8,643,000)	-	-
Unabsorbed reinvestment allowance	(15,458,000)	(15,458,000)	-	-
Unabsorbed allowance for increased exports	(504,000)	(504,000)	-	-
	(45,919,000)	(41,338,000)	-	-

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.

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Unabsorbed tax losses	21,850,000	19,870,000	-	-
Unabsorbed capital allowances	12,132,000	8,747,000	46,000	-
Unabsorbed reinvestment allowance	15,458,000	15,458,000	-	-
Unabsorbed allowance for increased exports	504,000	504,000	-	-

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

25. (LOSS)/EARNINGS PER SHARE

25.1 Basic

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

	GROUP	
	2015	2014
(Loss)/Profit for the year attributable to owners of the Company (RM)	(18,033,803)	611,809
Weighted average number of ordinary shares	1,580,290,137	1,484,042,216
Basic (loss)/earnings per shares (sen)	(1.14)	0.04



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

25. (LOSS)/EARNINGS PER SHARE (CONT'D)

25.2 Diluted

The diluted loss/earnings per share is calculated by dividing the loss/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted to assume conversion of all dilutive potential ordinary shares as follows:

	GROUP	
	2015	2014
(Loss)/Profit for the year attributable to owners of the Company (RM)	(18,033,803)	611,809
Weighted average number of issued ordinary shares as above	1,580,290,137	1,484,042,216
Adjustment for dilutive effect of:		
- ICULS	-	662,493,005
- ESOS	-	78,865,589
	1,580,290,137	2,225,400,810
Diluted (loss)/earnings per shares (sen)	*	0.03

* No diluted loss per share is presented as the effect on the basic loss per share is anti-dilutive.

26. 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) Lottery operator.
- (iii) Others which consist of investment holding, mining of minerals, property construction and inactive companies.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

26. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Manufacturing		Lottery		Others		Elimination		Total	
	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM	2015 RM	2014 RM
Revenue										
External sales	113,633,217	101,582,868	3,985,519	-	-	-	-	-	117,618,736	101,582,868
Inter-segment sales	6,408,354	5,414,120	-	-	7,036,500	2,820,000	(13,444,854)	(8,234,120)	-	-
Total revenue	120,041,571	106,996,988	3,985,519	-	7,036,500	2,820,000	(13,444,854)	(8,234,120)	117,618,736	101,582,868
Results										
Segment results	(1,776,831)	(485,250)	1,841,222	-	(15,245,578)	(5,019,104)	(135,572)	7,000,001	(15,316,759)	1,495,647
Interest income	668,741	488,061	-	-	50,803	12,503	(6,808)	-	712,736	500,564
Interest expense	(247,176)	(252,125)	-	-	-	-	6,808	-	(240,368)	(252,125)
Tax expense	(1,076,262)	(667,480)	-	-	(1,304,471)	(297,647)	(72,190)	-	(2,452,923)	(965,127)
(Loss)/Profit for the year	(2,431,528)	(916,794)	1,841,222	-	(16,499,246)	(5,304,248)	(207,762)	7,000,001	(17,297,314)	778,959
Assets										
Segment assets	116,425,931	113,463,731	21,016,141	-	168,471,078	159,972,533	(156,852,863)	(134,366,006)	149,060,287	139,070,258
Current tax assets	898,928	792,222	-	-	87,140	254	-	-	986,068	792,476
Fixed deposits	-	-	-	-	-	-	-	-	-	-
with licensed banks	7,221,122	6,270,366	-	-	147,611	31,751	-	-	7,368,733	6,302,117
Cash and bank balances	17,811,373	21,513,136	206,432	-	517,625	1,254,117	-	-	18,535,430	22,767,253
Total assets	142,357,354	142,039,455	21,222,573	-	169,223,454	161,258,655	(156,852,863)	(134,366,006)	175,950,518	168,932,104
Liabilities										
Segment liabilities	24,185,528	18,509,608	448,175	-	17,885,412	17,964,213	(24,480,112)	(24,391,901)	18,039,003	12,081,920
Deferred tax liabilities	2,179,629	1,452,001	-	-	1,177,706	-	(1,257,335)	-	2,100,000	1,452,001
Borrowings	4,260,051	4,386,921	-	-	-	-	-	-	4,260,051	4,386,921
Current tax liabilities	352,537	-	-	-	26,669	258,829	-	-	379,206	258,829
Total liabilities	30,977,745	24,348,530	448,175	-	19,089,787	18,223,042	(25,737,447)	(24,391,901)	24,778,260	18,179,671
Other information										
Addition to non-current assets	2,406,078	9,160,285	35,094	-	497,323	2,102,131	(212,304)	(2,840,343)	2,726,191	8,422,073
Depreciation	5,423,526	5,149,624	41,029	-	534,402	400,794	6,427	-	6,005,384	5,550,418
Non-cash expenses/(income) other than depreciation	112,204	(619,682)	-	-	17,331,126	(2,311,485)	(3,874,737)	(2,882)	13,568,593	(2,934,049)



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

26. 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 expenses/(income) consist of the following items:

	2015 RM	2014 RM
Loss/(Gain) on disposal of property, plant and equipment	18,344	(3,329,169)
Impairment loss on goodwill on consolidation	12,137,398	-
Impairment loss on property, plant and equipment	959,556	-
Impairment loss on trade receivables	993,477	-
Property, plant and equipment written off	167,052	5,498
Share-based compensation pursuant to ESOS granted	213,114	924,253
Unrealised gain on foreign exchange	(920,348)	(534,631)
	13,568,593	(2,934,049)

Information about major customers

Total revenue from major customers which individually contributed more than 10% of Group revenue amounted to **RM37,523,785** (2014: RM30,252,817), 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. Segment assets are based on the geographical location of assets.

	Revenue		Non-current assets	
	2015 RM	2014 RM	2015 RM	2014 RM
Malaysia	82,792,338	77,307,393	88,935,068	95,718,368
Singapore	16,987,813	15,572,411	-	-
Australia	3,173,281	3,231,282	-	-
United Kingdom	8,443,505	2,939,119	-	-
Cambodia	3,985,519	-	322,326	-
Other countries	2,236,280	2,532,663	-	-
	117,618,736	101,582,868	89,257,394	95,718,368

27. CONTINGENT LIABILITIES (UNSECURED)

The Company has issued corporate guarantees to financial institutions for finance lease granted to certain subsidiaries up to a limit of **RM3,697,146** (2014: RM3,058,690) of which **RM1,376,089** (2014: RM1,831,648) have been utilised 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

28. COMMITMENTS

(i) Capital commitment

Authorised and contracted for:
- Property, plant and equipment

GROUP	
2015 RM	2014 RM
-	270,972

(ii) Other commitments

The balance commitments payable pursuant to:
- Shareholders' Agreement (Note 34(i))
- Joint Venture Agreement (Note 9.2)

GROUP	
2015 RM	2014 RM
2,721,800	2,721,800
1,500,000	1,500,000
4,221,800	4,221,800

29. 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., Durachem (Penang) 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

29. RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Rental income	-	-	300,000	300,000
Management fee charged to subsidiaries	-	-	2,520,000	2,520,000
Dividend income from a subsidiary	-	-	4,000,500	-
Sale of property, plant and equipment to a subsidiary	-	-	212,304	-
Purchases from related parties				
- Premierpath Sdn. Bhd.	6,015	7,246	-	-
- Durachem (Penang) Sdn. Bhd.	811,473	1,047,229	-	-
- Shun Fa Sdn. Bhd.	13,260	12,350	-	-
Sales to a related party, Gem Spektra Sdn. Bhd.	405,301	367,778	-	-
Subcontractor fee charged by a related party, Gem Spektra Sdn. Bhd.	13,037	21,855	-	-

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 23.

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

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

	Carrying amount RM	L&R RM	FL RM
GROUP			
2015			
Financial assets			
Trade receivables	25,368,477	25,368,477	-
Other receivables and refundable deposits	6,959,302	6,959,302	-
Fixed deposits with licensed banks	7,368,733	7,368,733	-
Cash and bank balances	18,535,430	18,535,430	-
	58,231,942	58,231,942	-
Financial liabilities			
Borrowings	4,260,051	-	4,260,051
Trade payables	10,502,718	-	10,502,718
Other payables and accruals	5,886,601	-	5,886,601
	20,649,370	-	20,649,370



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (Cont'd)

	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

COMPANY

2015

Financial assets

Other receivables and refundable deposits	222,300	222,300	-
Amount due from subsidiaries	4,833,904	4,833,904	-
Fixed deposits with licensed banks	32,799	32,799	-
Cash and bank balances	225,241	225,241	-
	5,314,244	5,314,244	-

Financial liabilities

Other payables and accruals	713,176	-	713,176
Amount due to subsidiaries	6,442,980	-	6,442,980
	7,156,156	-	7,156,156

2014

Financial assets			
Other receivables and refundable deposits	387,579	387,579	-
Amount due from subsidiaries	3,944,222	3,944,222	-
Fixed deposits with licensed banks	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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit, 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.

30.3 Credit risk

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

30.3.1 Trade receivables

The Group gives its customers credit terms that range between **30 to 120 days** (2014: 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			
2015			
Not past due	16,769,969	-	16,769,969
1 to 60 days past due	8,010,538	-	8,010,538
61 to 120 days past due	217,445	-	217,445
Past due more than 120 days	2,161,602	(1,791,077)	370,525
	10,389,585	(1,791,077)	8,598,508
	27,159,554	(1,791,077)	25,368,477
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)

31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Credit risk (Cont'd)

30.3.1 Trade receivables (Cont'd)

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 **RM8,598,508** (2014: RM9,508,094) 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 **1 customer** (2014: 2 customers) representing **28%** (2014: 28%) of the total trade receivables.

30.3.2 Intercompany balances

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

The maximum exposure to credit risk is represented by 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.

30.3.3 Financial guarantees

The Company provides unsecured financial guarantees to financial institutions in respect of credit 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 27.

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Liquidity risk

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

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

	Carrying amount RM	Contractual cash 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
GROUP					
2015					
Interest bearing borrowings	4,260,051	4,421,831	3,290,047	627,694	504,090
Trade payables	10,502,718	10,502,718	10,502,718	-	-
Other payables and accruals	5,886,601	5,886,601	5,886,601	-	-
	20,649,370	20,811,150	19,679,366	627,694	504,090
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
COMPANY					
2015					
Other payables and accruals	713,176	713,176	713,176	-	-
Amount due to subsidiaries	6,442,980	6,442,980	6,442,980	-	-
	7,156,156	7,156,156	7,156,156	-	-
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)

31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Interest rate risk

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

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	
	2015 RM	2014 RM	2015 RM	2014 RM
Fixed rate instruments				
Financial assets	7,368,733	6,302,117	32,799	31,751
Financial liabilities	2,220,902	2,819,886	-	-
Floating rate instruments				
Financial assets	4,790,104	10,187,731	-	-
Financial liabilities	2,039,149	1,567,035	-	-

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 reduced the Group's loss before tax by **RM38,978** (2014: RM30,885) and a decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 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 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			
2015			
Trade receivables	4,352,050	1,408,100	1,533
Other receivables	4,453,397	-	-
Cash and bank balances	2,017,903	6,055,541	22
Trade payables	(771,178)	(1,268,242)	-
Other payables	(510,269)	-	(4,214)
	9,541,903	6,195,399	(2,659)
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)	-
	3,003,948	1,709,323	930

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 loss before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased loss before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	GROUP	
	2015 RM	2014 RM
USD	954,190	300,395
SGD	619,540	170,932
Other currencies	(266)	93
Increase in loss before tax	1,573,464	471,420

The Company is not significantly exposed to foreign currency risk as transactions denominated in a currency other than the functional currency is not material.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

30. FINANCIAL INSTRUMENTS (CONT'D)

30.7 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.

31. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. 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.

32. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 22 February 2012, and the ESOS will be in force for duration of five years expiring on 14 June 2017.

The salient features of the ESOS are as follows:

- (i) The total number of new ordinary shares which are available to be issued under the ESOS shall not exceed fifteen percent (15%) of the total issued and fully paid-up share capital of the Company at any time.
- (ii) Any employee or director of any company comprised in the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is in full-time employment and, has been given notification in writing by the company that he/she is a confirmed employee.
- (iii) The option price shall be determined on the 5-day weighted average market price of the Company's shares as quoted on Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the Date of Offer or at par, whichever is higher.
- (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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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

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 31.12.15
		Balance at 1.1.15	Granted and Accepted	Exercised	Lapsed	
15.6.12	0.10	73,396,000	-	(340,000)	(7,030,000)	66,026,000
29.8.14	0.105	16,100,000	-	(50,000)	(4,800,000)	11,250,000

The outstanding ESOS as at the end of the reporting period is exercisable at any point of time and the weighted average share price during the financial year is **RM0.10** (2014: RM0.10).

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

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

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

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 30 April 2015, the Company entered into a Sale of Shares Agreement with Opal Deluxe Limited ("Opal") for the acquisition of 600 ordinary shares of USD2,000 each in Pan Cambodian Lottery Corporation Limited ("PCL") representing 60% of the issued and paid-up share capital of PCL for a total cash consideration of USD4,200,000. The acquisition was completed on 20 August 2015.

Included in the salient term of the Sale of Shares Agreement, is that PCL shall achieve an aggregate profit after tax of USD3,000,000 by the financial year ending 31 December 2017, failure of which the Company shall be at liberty to enforce the mortgage on the remaining 35% of the issued and paid-up capital of PCL held by Opal ("Security Shares") and cause the proportionate number of the Security Shares which is equivalent to the shortfall to be transferred to the Company or such other person as may be nominated by the Company.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

- (i) On 9 March 2016, Pembinaan LSP Jaya Sdn. Bhd. ("PLSP") entered into a Tripartite Agreement with Aznel Development Sdn. Bhd. ("the Proprietor") and Koperasi Hartanah Malaysia Berhad ("KOHAMA") to develop the Proprietor's land in Pengkalan Hulu, Perak subject to the terms and conditions in the Tripartite Agreement. On even date, PLSP entered into a Profit Sharing Agreement with KOHAMA to share the profits realised from the sale of the development units according to the terms and conditions in the Profit Sharing Agreement.

Following the Tripartite Agreement, the Shareholders' Agreement entered into between Luster Precision Engineering Sdn. Bhd. and Winco Precision Engineering Sdn. Bhd. with Odemax Development Sdn. Bhd. in the previous financial year will be rescinded.

Performance bond of RM1,200,000 and consultancy fees of RM3,278,200 which were paid in the previous financial year are still relevant and will be used for the current development project.

- (ii) On 1 February 2016, the Group through Luster Precision Engineering Sdn. Bhd. ("LPE") subscribed for an additional 999,998 new ordinary shares of RM1 each in Pembinaan LSP Jaya Sdn. Bhd. ("PLSP") for a cash consideration of RM999,998. The share subscription did not create any change in the effective equity interest of the Group in the subsidiary.

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



SUPPLEMENTARY INFORMATION

35. 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	
	2015 RM	2014 RM	2015 RM	2014 RM
Total accumulated losses of the Company and its subsidiaries:				
- Realised	(31,020,681)	(7,253,492)	(39,316,492)	(22,066,552)
- Unrealised	(1,179,652)	(917,370)	(658,000)	-
	(32,200,333)	(8,170,862)	(39,974,492)	(22,066,552)
Less: Consolidation adjustments	(3,921,086)	(10,615,116)	-	-
Total accumulated losses as per statements of financial position	(36,121,419)	(18,785,978)	(39,974,492)	(22,066,552)



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 @ 31.12.2015 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* 20	3,869,880
# 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* 22	1,659,186
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* 33	4,298,036
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* 20	5,683,119
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* 20	2,120,346
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* 11	3,085,565
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* 11	12,539,951
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* 25	5,718,358
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* 31	234,091
+ 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* 10	1,327,533
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* 7	1,438,824
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 5	221,004
HSD36462 Lot No. 3901 Mukim of Tanjong Minyak Melaka Tengah 75250 Melaka MELAKA	Freehold Land Factory Building	6,751	4,381	NA	2014 10	4,625,767

^ Disposed on 4 April 2016

Disposed on 29 October 2015

+ Disposed on 13 January 2016



ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2016

Authorised Share Capital	:	RM250,000,000.00
Issued and fully paid-up Share Capital	:	RM173,190,891.00
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 1 APRIL 2016

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
1-99	57	0.85	2,159	0.00
100 to 1,000	230	3.43	116,035	0.01
1,001 to 10,000	1,104	16.47	7,819,853	0.45
10,001 to 100,000	3,619	53.99	188,871,847	10.90
100,001 to less than 5% of issued shares	1,691	25.23	1,271,363,416	73.41
5% and above of issued shares	2	0.03	263,735,600	15.23
Total	6,703	100.00	1,731,908,910	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 1 APRIL 2016

<-----Number of Shares Held----->				
Name	Direct	%	Deemed	%
Lim See Chea	184,301,457	10.64	4,638,885*	0.27
DB (Malaysia) Nominees Asing Sdn. Bhd. Exempt for EFG Bank AG (a/c client)	157,033,000	9.07	-	-
Wee Song He, Wilson	132,051,220	7.62	-	-

* 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 1 APRIL 2016

<-----Number of Shares Held----->				
Name	Direct	%	Deemed	%
Tunku Datin Annie Dakhlah Binti Tuanku Munawir	-	-	-	-
Lim See Chea	184,301,457	10.64	4,638,885*	0.27
Lim See Hua	2,330,450	0.13	-	-
Lau Theng Chim	-	-	-	-
Liang Wooi Gee	22,022,857	1.27	400#	^
Ng Chin Nam	96	^	-	-
Mohamed Shukri Bin Mohamed Zain	-	-	-	-
Lim See Meng	19,384,600	1.12	128,800®	0.01
Wee Song He, Wilson	132,051,220	7.62	-	-

* 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

® Held by spouse and child

^ Negligible



ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2016

THIRTY LARGEST SHAREHOLDERS AS AT 1 APRIL 2016

No.	NAME	HOLDINGS	%
1.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR EFG BANK AG (A/C CLIENT)	157,033,000	9.07
2.	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA (B)	106,702,600	6.16
3.	WEE SONG HE, WILSON	76,521,220	4.42
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA	75,000,000	4.33
5.	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEE SONG HE WILSON	54,530,000	3.15
6.	BEH CHENG SIONG	28,000,000	1.62
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIANG WOOL GEE	22,000,000	1.27
8.	LIM SEE MENG	19,384,600	1.12
9.	GOH HOWA MING	17,076,571	0.99
10.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP LIM YORK (E-IMO/BCM)	14,700,000	0.85
11.	SOO CARRIE	13,600,000	0.79
12.	WONG KEAN LEONG	13,300,000	0.77
13.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR CENTRAL KEDAH PLYWOOD FACTORY SENDIRIAN BERHAD (8793-1501)	12,580,000	0.73
14.	SIA SZE KAI (XIE SIKAI)	11,846,590	0.68
15.	TEOH TIAN WEN	9,830,000	0.57
16.	TAN KIM CHEANG	9,553,400	0.55
17.	RHB NOMINEES (TEMPATAN) SDN BHD SOO WING CHING	8,000,000	0.46
18.	OOI GENE HOCK	7,540,000	0.44
19.	OOI PEY WONG	7,540,000	0.44
20.	GOH BOON SOO @ GOH YANG ENG	6,503,100	0.38
21.	TAN KIM CHAI	6,387,300	0.37
22.	WEI YI	6,010,000	0.35
23.	LIM SIEW LEE	6,000,000	0.35
24.	UNG YOKE HONG	6,000,000	0.35
25.	LIM SEE POOI	5,210,000	0.30
26.	LOW AH KOU	5,175,100	0.30
27.	RHB NOMINEES (TEMPATAN) SDN BHD KOH KWEE HWA	5,000,000	0.29
28.	TAN MOOI HUA	4,820,000	0.28
29.	CENTRAL KEDAH PLYWOOD FACTORY SENDIRIAN BERHAD	4,600,000	0.27
30.	SOCIAL CARE FOUNDATION	4,600,000	0.27
TOTAL		725,043,481	41.92



ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2016

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 1 APRIL 2016

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued Warrants
1-99	65	3.91	2,648	0.00
100 to 1,000	28	1.68	14,809	0.00
1,001 to 10,000	197	11.84	1,203,202	0.27
10,001 to 100,000	789	47.41	44,022,540	9.97
100,001 to less than 5% of issued warrants	585	35.16	396,351,306	89.76
5% and above of issued warrants	0	0.00	0	0.00
Total	1,664	100.00	441,594,505	100.00

DIRECTORS' WARRANT A HOLDINGS AS AT 1 APRIL 2016

Name	<-----Number of Warrants 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 1 APRIL 2016

THIRTY LARGEST WARRANT A HOLDERS AS AT 1 APRIL 2016

NO.	NAME	HOLDINGS	%
1.	SIM SIEW TUAN	8,384,900	1.90
2.	LIM GEOK ENG MARY	8,200,000	1.86
3.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GEOK ENG MARY	7,900,000	1.79
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOH CHIN LIANG	7,400,000	1.68
5.	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR LIM GEOK ENG MARY (MY0955)	7,000,000	1.59
6.	TAN CHIN CHON @ TAN CHIN CHOON	7,000,000	1.59
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TIONG ING PING (ET)	5,937,100	1.34
8.	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN ANN GEE	5,900,000	1.34
9.	TAN HAN CHONG	5,500,000	1.25
10.	LIEW KUO AUN	5,000,000	1.13
11.	LIM HOCK AUN	4,500,000	1.02
12.	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN (B)	4,500,000	1.02
13.	TAN CHEE TAT	4,014,000	0.91
14.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG ENG TIONG (001)	4,000,000	0.91
15.	LEE ENG BENG	4,000,000	0.91
16.	TAN KIM LIANG	3,800,000	0.86
17.	WONG CHEE KIONG	3,600,000	0.82
18.	LUM YIN MUI	3,548,000	0.80
19.	LIM HUN GUAN	3,490,000	0.79
20.	TAN CHOON LEE	3,300,000	0.75
21.	ZARAH BINTI YUSOF	3,194,300	0.72
22.	WANG CHOON YAP	3,000,000	0.68
23.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOO POH TIT (PENANG-CL)	2,800,000	0.63
24.	POO AH MOI	2,800,000	0.63
25.	TANG KONG MENG	2,650,000	0.60
26.	TOH AH LOU	2,600,000	0.59
27.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	2,474,900	0.56
28.	OH CHIEW BENG	2,400,000	0.54
29.	WONG KUAN CHEW	2,334,000	0.53
30.	SIVAROU A/L KRISHNA	2,300,000	0.52
TOTAL		133,527,200	30.26



ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2016

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 1 APRIL 2016

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued Warrants
1 to 99	0	0	0	0.00
100 to 1,000	43	5.11	35,500	0.02
1,001 to 10,000	36	4.27	271,700	0.13
10,001 to 100,000	438	52.02	26,572,100	12.30
100,001 to less than 5% issued warrants	324	38.48	176,129,800	81.54
5% and above of issued warrants	1	0.12	12,990,900	6.01
Total	842	100.00	216,000,000	100.00



ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2016

THIRTY LARGEST WARRANT B HOLDERS AS AT 1 APRIL 2016

No.	NAME	HOLDINGS	%
1.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	12,990,900	6.01
2.	KOH BOON SAI	5,500,000	2.55
3.	TAN TIAM YEE	5,100,000	2.36
4.	TAN POH SUAT	3,600,000	1.67
5.	YEO AI LEE	2,630,000	1.22
6.	SJC REALTY SDN. BHD.	2,500,000	1.16
7.	WONG CHEE KIONG	2,500,000	1.16
8.	MOHD ILHAM BIN ZULKIFLI	2,400,500	1.11
9.	CHEAH TEIK HOCK	2,300,000	1.06
10.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH TECK HOE (013)	2,268,000	1.05
11.	TAN CHUAN HONG	2,000,000	0.93
12.	THONG KIN MUN	2,000,000	0.93
13.	PHANG SEE ONG	1,920,000	0.89
14.	DAWNWAY LAU	1,900,000	0.88
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SOON LONG	1,885,900	0.87
16.	LIM MOOI FONG	1,885,000	0.87
17.	YIO KIM SIM	1,834,200	0.85
18.	SEE TIAN CHWAN	1,815,000	0.84
19.	CAROLINE GAN KE YIN	1,800,000	0.83
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIM SIEW INN	1,685,000	0.78
21.	CHIANG LIN YI	1,650,000	0.76
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHOW YIN (E-SKN)	1,620,700	0.75
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH CHIN SHUN	1,552,000	0.72
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE A HONG @ LEE LUM SOW (E-TMM)	1,500,000	0.69
25.	TAN LEE LEE	1,500,000	0.69
26.	CHAN SIEW HONG	1,450,000	0.67
27.	ONG CHAI SI	1,449,400	0.67
28.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR WOO SAU MING (6758-1101)	1,400,000	0.65
29.	LEONG TUCK WEI	1,390,800	0.64
30.	TAN CHIN HOONG	1,305,400	0.60
TOTAL		75,332,800	34.86



ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2016

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 1 APRIL 2016

Size of shareholdings	No. of ICULS Holders	% of total ICULS Holders	No. of ICULS	% of total issued ICULS
1 to 99	0	0.00	0	0.00
100 to 1,000	83	73.45	9,700	0.21
1,001 to 10,000	6	5.31	24,700	0.52
10,001 to 100,000	10	8.85	220,100	4.65
100,001 to less than 5% of issued ICULS	6	5.31	930,100	19.64
5% and above of issued ICULS	8	7.08	3,550,000	74.98
Total	113	100.00	4,734,600	100.00

DIRECTORS' ICULS HOLDINGS AS AT 1 APRIL 2016

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

[®] Held by spouse

^ Negligible



ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2016

THIRTY LARGEST ICULS HOLDERS AS AT 1 APRIL 2016

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 EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	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.	LOW CHIN SIN	50,000	1.06
16.	CHONG KEE KONG	28,200	0.60
17.	TAN SWEE FONG	22,400	0.47
18.	CHEE MOOI HONG	20,000	0.42
19.	CHONG KOK SOON	20,000	0.42
20.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHONG TECK (E-PKG/TCL)	20,000	0.42
21.	LIM KIM NEO	17,000	0.36
22.	LOH SENG SOON	15,000	0.32
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAM KHON CHAI	15,000	0.32
24.	TAN KHYE SENG	12,500	0.26
25.	OOI LEE PENG	9,800	0.21
26.	MARGARET LING LEE NGIOK	5,000	0.11
27.	YAM MOW LAM	4,600	0.10
28.	OOI LIAN HEOK	2,300	0.05
29.	POH SIEW KUAN	1,800	0.04
30.	HO SOO THENG @ HO SOO AUN	1,200	0.03
TOTAL		4,724,900	99.80



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting of the Company will be held at Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Monday, 30 May 2016 at 11:00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:

- | | |
|--|---|
| 1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2015 together with the Auditors' Report thereon. | Please refer to the Explanatory Note |
| 2. To approve the payment of Directors' fees of RM360,000 for the financial year ending 31 December 2016. | Ordinary Resolution 1 |
| 3. To re-elect Mr Ng Chin Nam who retires in accordance with Article 133 of the Company's Articles of Association. | Ordinary Resolution 2 |
| 4. To re-elect Tunku Datin Annie Dakhlah Binti Tuanku Munawir who retires in accordance with Article 133 of the Company's Articles of Association. | Ordinary Resolution 3 |
| 5. To re-elect Encik Mohamed Shukri Bin Mohamed Zain who retires in accordance with Article 133 of the Company's Articles of Association. | Ordinary 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. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modifications the following as Ordinary/ Special Resolutions:-

- | | |
|---|------------------------------|
| 7. ORDINARY RESOLUTION
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." | Ordinary Resolution 6 |
| 8. ORDINARY RESOLUTION
RETENTION OF MR LAU THENG CHIM AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY
"THAT approval be and is hereby given to Mr Lau Theng Chim to continue to act as an Independent Non-Executive Director of the Company after the cumulative term of nine (9) years, in compliance with the recommendation of Malaysian Code of Corporate Governance 2012". | Ordinary Resolution 7 |



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

9. SPECIAL RESOLUTION

PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

"THAT approval be and is hereby given to the Board to amend the Articles of Association of the Company by inserting a new Article 92A immediately after the existing 92:-

Article No		Proposed Article Amendment
92A	New Article	<p>Voting by poll</p> <ol style="list-style-type: none"> 1. The Company must ensure that any resolution set out in the notice of any general meeting includes any addendum, errata or amendment to the earlier notice of general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. 2. The Company must appoint at least 1 scrutineer to validate the votes cast at the general meeting. Such scrutineer must not be an officer of the listed issuer or its related corporation, and must be independent of the person undertaking the polling process. If such scrutineer is interested in a resolution to be passed at the general meeting, the scrutineer must refrain from acting as the scrutineer for that resolution. For this purpose, "officer" has the meaning given in section 4 of the Companies Act, 1965."

**Special
Resolution 1**

10. 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 April 2016

Notes:

1. A Member may appoint up to two (2) proxies (subject to Article 105a) to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not, apply to the Company. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. He must also specify which proxy is entitled to vote on a show of hands and only one (1) of those proxies is entitled to vote on a show of hands.
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 20 May 2016 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.



NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Note

Item 1 of the Agenda

To receive the Audited Financial Statements for the financial year ended 31 December 2015 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, 38,033,000 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 22 June 2015. The total proceeds of RM3,803,300 from private placement exercise has not been fully utilised.

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).

Resolution 7 – Retention of Mr Lau Theng Chim as an Independent Non-Executive Director of the Company

Both the Nominating Committee and Board have assessed the independence of Mr Lau Theng Chim, who has served as an Independent Non-Executive Director of the Company since 30 November 2007 and will reach the nine years term limit on 29 November 2016, and recommended him to continue to act as Independent Non-Executive Director of the Company after the said nine years term based on the following justifications:-

- i. He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, and bring an element of objectivity to the Board.
- ii. His vast experience in the accounting and audit industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
- iii. He devotes sufficient time and attention to his professional obligations for an informed and balanced decision making.
- iv. He consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.
- v. He has a good and thorough understanding of the main drivers of the business in a detailed manner.

Special Resolution- Proposed Amendment to the Company's Articles of Association

The proposed Special Resolution, if passed, will allow the Company's Articles of Association to be in line with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



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 6.03(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.

The details of any interest in the securities of the Company and its subsidiaries (if any) held by the said Directors are stated on pages 34 to 35 of the financial statements book Annual Report 2015.

ANNUAL REPORT 2015

The Annual Report 2015 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within four (4) market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at <https://www.lustergroup.com>.

Shareholders who wish to receive the printed Annual Report, kindly contact Mr. Goh Khoon Hau (Financial Controller) at telephone 604-441 7980 or e-mail your request to khgoh@luster.com.my.

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PROXY FORM



LUSTER INDUSTRIES BHD. (156148-P)
(Incorporated in Malaysia)

* 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-Ninth Annual General Meeting of the Company to be held at Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Monday, 30 May 2016 at 11:00 a.m. and any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	For	Against
1.	To approve the payment of Directors' fees.		
2.	To re-elect Mr Ng Chin Nam as Director.		
3.	To re-elect Tunku Datin Annie Dakhlah Binti Tuanku Munawir as Director.		
4.	To re-elect Encik Mohamed Shukri Bin Mohamed Zain as Director.		
5.	To re-appoint Messrs Grant Thornton as the Company's Auditors.		
6.	To authorize Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
7.	Retention of Mr Lau Theng Chim as an Independent Non-Executive Director.		
NO.	SPECIAL RESOLUTION		
1.	Proposed Amendment To The Company's Articles of Association.		

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

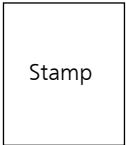
Signed this day of, 2016.

.....
Signature of Member(s)/Common Seal

Notes:

- A Member may appoint up to two (2) proxies (subject to Article 105a) to attend on the same occasion. A proxy may but need not be a Member and the provisions of Section 149(1)(b) of the Act shall not, apply to the Company. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. He must also specify which proxy is entitled to vote on a show of hands and only one (1) of those proxies is entitled to vote on a show of hands.
- 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.
- 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.
- If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
- 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 20 May 2016 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



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.

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Fax : 604-442 8805
Website : www.lustergroup.com