luster

Creating Values

Inspiring breakthroughs, Growing excellence

Annual Report 2018

Contents

Corporate Information

Directors

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (Independent Non-Executive Chairman)
Liang Wooi Gee (Deputy Managing Director)
Chuah Chong Ewe (Executive Director)
Phuah Cheng Peng (Executive Director)
Wee Song He, Wilson (Executive Director)
Ahmad Kamal Bin S. Awab (Independent Non-Executive Director)
Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director)

Audit Committee

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

Secretary

Chee Wai Hong (BC/C/1470)

Solicitors

Messrs Y.C. Wong
Lot W17A1, 17th Floor, West Block,
Wisma Selangor Dredging,
No. 142C, Jalan Ampang,
50450 Kuala Lumpur, Malaysia.

Nominating Committee

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

Registered Office

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

Bankers

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

Remuneration Committee

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

Business Address

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

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

Risk Management Committee

Mohamed Shukri Bin Mohamed Zain (Chairman)
Ahmad Kamal Bin S. Awab
Chuah Chong Ewe
Liang Wooi Gee
Phuah Cheng Peng
Wee Song He, Wilson

Auditors

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

Stock Exchange Listing

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

Group Structure

luster Creating Values

LUSTER INDUSTRIES BHD (156148-P)

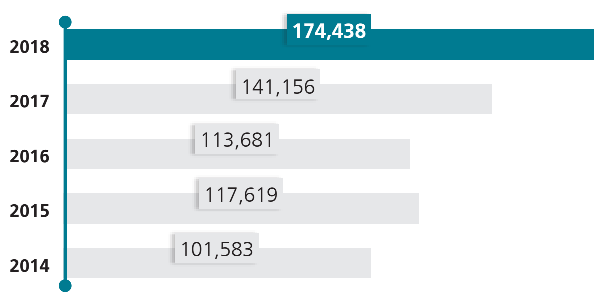
- 100% **EXZONE PRECISION ENGINEERING SDN BHD** (243754-V)
- 100% **EXZONE PLASTICS MANUFACTURERS SDN BHD** (71689-U)
  - 100% **IMETRON (M) SDN BHD** (190692-T)
- 54.55% **PEMBINAAN LSP JAYA SDN BHD** (1081245-U)
  - 45.45% (held by Winco Precision Engineering (Melaka) Sdn Bhd)
- 100% **WINCO PRECISION ENGINEERING (MELAKA) SDN BHD** (269790-D)
  - 20% **WINCO PRECISION TECHNOLOGIES SDN BHD**
- 80% **WINCO PRECISION TECHNOLOGIES SDN BHD** (271905-X)
- 95% **PAN CAMBODIAN LOTTERY CORPORATION LIMITED** (Co.1054E/2010)
- 100% **LUSTER PLASTIC INDUSTRIES SDN BHD** (245695-U)
  - 100% **LINPOWER RESOURCES SDN BHD** (273055-X)
- 100% **LUSTER MANUFACTURING SDN BHD** (185405-D)
  - 100% **LUSTER VENTURE SDN BHD** (1232098-V)
  - 100% **LUSTER HIJAUAN HOME SDN BHD** (1245222-K)
- 51% **LUSTER CHI WO SDN BHD** (401840-P)
- 100% **LUSTER CONSTRUCTION SDN BHD** (1233369-H)

Financial Highlights

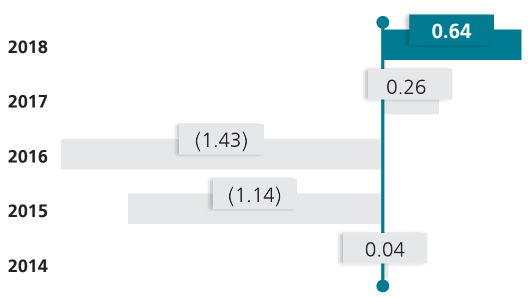
Five Years Financial Highlights

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	101,583	117,619	113,681	141,156	**174,438**
Profit/(Loss) Before Tax	1,744	(14,844)	(24,273)	6,886	**10,700**
Profit/(Loss) After Tax	779	(17,297)	(25,495)	5,091	**12,703**
Profit/(Loss) After Tax Attributable To Owners Of The Company	612	(18,034)	(24,710)	4,935	**12,578**
Paid-up Capital	157,432	173,191	173,191	201,529	**201,529**
Total Assets	168,932	175,951	153,439	188,131	**208,735**
Shareholders Fund	150,752	149,526	124,827	155,010	**168,570**
Basic Earnings/(Loss) Per Share (Sen)	0.04	(1.14)	(1.43)	0.26	**0.64**
Net Assets Per Share (RM)	0.10	0.09	0.07	0.08	**0.09**

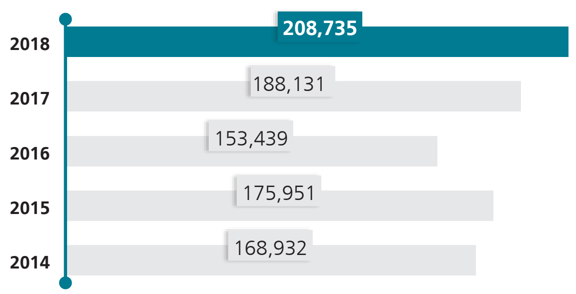
Revenue (RM'000)



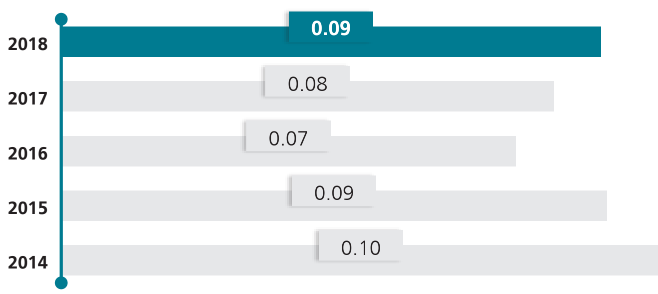
Basic Earnings/(Loss) Per Share (Sen)



Total Assets (RM'000)



Net Assets Per Share (RM)



Statement From The Chairman

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir

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 (GROUP) FOR THE FINANCIAL YEAR ENDED (FYE) 31 DECEMBER 2018.

Statement From The Chairman (Cont'd)

Global growth is projected to moderate from a downwardly revised 3 percent in 2018 to 2.9 percent in 2019 and 2.8 percent in 2020-21, as economic slack dissipates, monetary policy accommodation in advanced economies is removed, and global trade gradually slows. *(Source: World Bank 2019 Report)*. However, the Group had out-performed the global growth as our revenue had increased by 23.5% from RM141.2 million in FYE2017 to RM174.4 million in FYE2018. This was mainly due to the increase in revenue in property development & construction segment and manufacturing segment. The Group profit before taxation (PBT) had increased by 55.1% from RM6.9 million in FYE2017 to RM10.7 million in FYE2018. The profit in 2018 is mainly generated from the delivery of higher profit margin Original Equipment Manufacturer (OEM) products in the manufacturing segment. The property development & construction segment, as well as the gaming & leisure segment had also contributed to the positive bottom line.

The Group's investment, to improve and upgrade its manufacturing facilities and its human capital in recent years in order to stay competitive in the global market had been successful and contributed positively to the financial results in FYE2018. The Group will continue the strategy to prepare itself to evolve to become Original Design Manufacturer (ODM).

With manufacturing segment remaining the core activity within the Group, the Board had decided to diversify the Group's business activities into property development & construction industry as one of its growth strategies. This segment has throughout the years grown gradually and steadily since its inception. With the anticipation of further growth, the Group had on 28 August 2018 obtained shareholders' approval on the diversification into property development and construction segment. There are currently 4 projects in property development & construction segment. The Pengkalan Hulu project is expected to obtain the Certificate of Completion and Compliance (CCC) by first half of 2019. The construction project in Kelantan was completed in February 2019. The Seberang Prai Utara project had been successfully launched. As for the Hulu Langat project, it is at the planning stage.

As for the gaming and leisure segment, the Group has applied for more games to be introduced in addition to the existing 5 digits forecast gaming. The Group had also leased a piece of land in Kampot Province bordering Vietnam for its casino operation and is at the stage of final discussion with the consultants for the construction of the casino and hotel building.

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

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

Future Development and Challenges

The global economy remains uncertain and faces with various challenges. Economies in Eurozone, United Kingdom, Japan and China have not been encouraging. With anticipated escalating trade conflicts, a contraction in world trade could drag down the global demand even more. At the same time, the combined effects of rising interest rates and surging equity and commodity market volatility mean that financial conditions worldwide are tightening.

Despite the global outlook uncertainty, the escalating trade conflicts and heightening financial market volatility, Malaysia's near-term growth outlook remains resilient with sound macroeconomic fundamentals, stable financial conditions and diversified economic structure. The Group will remain prudent in all its operations.

In 2019, the manufacturing sector in Malaysia is forecasted to continue to expand supported by export orientated industries. The manufacturing segment will continue to differentiate itself from the other manufacturers to generate higher revenue and improved margin. The manufacturing segment will continue the strategies to position and prepare itself to evolve to become an ODM player. In 2019, barring any unforeseen circumstances, the manufacturing segment will undertake Research and Development in the medical devices and equipment to further diversify its income stream in the manufacturing segment.

The residential property market in Malaysia is expected to grow marginally following the mismatch between demand and supply. However, the demand for residential property will continue to be fueled by the affordable housing scheme currently promoted by both the Federal and State governments. The property development & construction segment will continue to explore the opportunity in the development of the affordable housing scheme for the near-term. This segment will adopt a more careful and prudent strategies in developing the high-medium and high-end housing development projects. The property development & construction segment will also explore the opportunity in the non-residential development especially in the development of the technology base factories for the high technology industries in line with the expected growth in the high technology manufacturing sector in Malaysia.

Statement From The Chairman (Cont'd)

Cambodia's economy is predicted to remain resilient and maintain a high growth rate this year in the face of challenges posed by the global economy. Domestic demand has boosted by higher wage growth and larger public investments with fiscal expansion serving as stimulus. This has significantly contributed to the larger disposal income of the population. The growth experienced by the country, has also contributed positively to the growth of the digit forecast gaming industry. The gaming and leisure segment continues to put in place the strategies to expand its sales network and representatives in Cambodia to capture a bigger market share in this growing market. Buoyed by Cambodia's rapidly growing tourism industry, gaming has enjoyed a steady growth in the recent years. With the influx of Chinese tourists to Cambodia and also the growth in the neighbouring country, Vietnam, the company has also put in place the plan to establish its casino operation in 2019. With the efforts of the tour agencies to attract more tourists to Cambodia and the Cambodian Government to enact more gaming legislation to streamline the gaming industry, the Cambodian gaming industry is buoyed for growth and outlook is promising.

In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in financial year 2019.

In Recognition

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

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

Management Discussion And Analysis

Overview of Business & Operations

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

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

Objectives & Strategies

The core activity of Luster Group is in the manufacturing segment. However, in the recent years, the Group has experienced a slower growth in its core business of manufacturing segment. Keen competition has also eroded the profit margin in the manufacturing segment. The Group continues to innovate the manufacturing processes and differentiate itself in order to stay competitive and to effectively position itself as an OEM player in the market. The strategy to be OEM player has been successful and positively contributed to the financial results in 2018. The Group continues to invest in improving and upgrading its manufacturing facilities and its human capital in order to stay competitive in the global market. The Group has expanded its activities from just providing one-stop manufacturing services and processes to create value-added and soft-skilled activities for its customers in the area of product design, research and development to position and prepare itself to evolve to become Original Design Manufacturer (ODM). Other than continuously improving its internal resources, the Group is also seeking technology partners to further enhance its capabilities in design, research and development. Barring any unforeseen circumstances, the Group will undertake research and development in the medical devices and equipment to further diversify its income stream in the manufacturing segment.

While focusing to further strengthen its position in the manufacturing segment, the Group has also looked beyond the manufacturing segment horizon to expand its income stream to improve its financial performance and strengthen its financial position. The Group's property development and construction segment has grown gradually and steadily since its inception in this segment. The Group had on 28 August 2018 obtained shareholders' approval on the diversification into property development and construction segment. The residential property market in Malaysia is expected to grow marginally following the mismatch between demand and supply. However, the demand for residential property will continue to be fueled by the affordable housing scheme currently promoted by both the Federal and State governments. The property development and construction segment has successfully launched the affordable housing project in Daerah Seberang Perai Utara in 2018 and the sales have been encouraging. The affordable housing project in Pengkalan Hulu, Perak, under the "Built Then Sell" (BTS) scheme is almost completed and expected to obtain the Certificate of Completion and Compliance (CCC) by first half of 2019. The property development and construction segment will continue to explore the opportunity in the development of the affordable housing scheme for the near-term. This segment will adopt a more careful and prudent strategies in developing the high-medium and high-end housing development projects. The property development and construction segment will also explore the opportunity in the non-residential development especially in the development of the technology base factories for the high technology industries in line with the expected growth in the high technology manufacturing sector in Malaysia.

Management Discussion And Analysis (Cont'd)

Objectives & Strategies (cont'd)

The gaming and leisure segment continues to put in place the strategies to expand its sales network and representatives in Cambodia to capture a bigger market share in this growing market. The Group's 95% owned subsidiary, Pan Cambodian Lottery Corporation Limited (PCL), had in 2018 moved to its new office to cater to the need of its growing agencies. PCL has also applied for more games to be introduced on top of the existing 5 digits forecast gaming. Buoyed by Cambodia's rapidly growing tourism industry, gaming has enjoyed a steady growth in the recent years. With the influx of Chinese tourists to Cambodia and also the growth in the neighbouring country, Vietnam, the Group has put in place the plan to establish its casino operation in 2019. PCL had leased a piece of land in Kampot Province bordering Vietnam for its casino operation and is at the stage of final discussion with the consultants for the construction of the casino and hotel building. With the efforts of the tour agencies to attract more tourists to Cambodia and the Cambodian Government to enact more gaming legislation to streamline the gaming industry, the Cambodian gaming industry is buoyed for growth and outlook is promising.

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

Operational Review

The Group has recorded a revenue of RM174.4 and RM141.2 million in FYE2018 and FYE2017 respectively. This was mainly due to the stage of completion and the further launched of subsequent phases for the project in Daerah Seberang Perai Utara and increase in delivery of OEM products in hygiene and pest control industry and the formwork products for the construction industry. The Group has recorded a profit before taxation of RM10.7 million and RM6.9 million respectively in FYE2018 and FYE2017 respectively. The profit in 2018 is mainly generated from the stage of completion and the further launched of subsequent phases for the project in Daerah Seberang Perai Utara in the property development and construction segment and the increase in delivery of a higher profit margin OEM product in the manufacturing segment. The gaming and leisure segment had also contributed to the positive bottom line.

As at 31 December 2018, the Group's total assets stood at RM208.7 million, representing a growth of RM20.6 million compared to RM188.1 million at the end of the financial year 2017. The Group's current assets had grew by RM18.9 million to RM140.0 million as at 31 December 2018 from RM121.1 million as at 31 December 2017. This increase was mainly attributable to the rise in gross amount due from contract customers and inventory properties in property development and construction segment. The Group's fixed deposits and cash and bank balances had also increased by RM5.6 million to RM24.8 million as at 31 December 2018 from RM19.2 million as at 31 December 2017. The Group's total liabilities increased by RM7.8 million from RM32.2 million as at 31 December 2017 to RM40.0 million as at 31 December 2018. The main contribution to the increase were borrowings. Borrowings had increased by RM4.8 million from RM2.2 million as at 31 December 2017 to RM7.0 million as at 31 December 2018. Borrowings are mainly for the working capital purposes in the form of bankers' acceptance, bank overdrafts and revolving credit.

The Group's financial position remained strong and net asset value per share attributable to equity holders of the Group was RM0.09 as at 31 December 2018 compared to RM0.08 as at 31 December 2017. The Group's current net gearing ratio for the financial year 2018 was 0.04 times as compared to last year's ratio of 0.01 times. This is mainly due to the utilisation of banking facilities to finance the working capital in manufacturing segment.

The Group's cash and cash equivalents was RM21.0 million as at 31 December 2018 as compared to RM17.9 million as at 31 December 2017. This was mainly due to increase in collections from customers in both manufacturing and property development & construction segment.

The capital expenditure spent in FYE2018 was mainly on the extension of the leasehold period of a leasehold land and building in Sungai Petani and purchase of factory equipment and machineries and the improvement of factory facilities to increase the efficiency of production. This was financed mainly by internally generated funds.

Based on Bank Negara Malaysia's annual report 2018, the country's overall GDP growth in 2018 is 4.7%, in contrast to the 5.9% growth a year earlier. The Malaysian economy is projected to register a sustained growth of 4.3% - 4.8% in 2019. The Company will continue to observe a balanced portfolio and provide a diversified business.

Management Discussion And Analysis (Cont'd)

Manufacturing Segment

The Group knows well that the manufacturing activity of its plastic injection moulding has to evolve in order to maintain its competitiveness and profitability. The Group had successfully consolidated its operation in the Northern region and evolved itself to be OEM player. The Group will continue its strategy to improve its resources to provide the value-added and soft-skilled activities especially on the product design, research and development in order to evolve itself to be an ODM player. Over the last 5 years, the Group had invested a substantial amount of investment to position itself on a platform ready to be a significant player in the OEM & ODM industries. A lot of investment had been invested in regards to upgrading its manufacturing facilities, recruitment of skilled manpower especially in the area of Research & Development and engineering and quality management systems in order for it to penetrate into the global market. These expenditures had impacted the bottom-line of the Group. However, the Group is aware that these investments had to be incurred in order for the plastic injection moulding manufacturing division to stay relevant in contributing positively to the Group's financial performance. The manufacturing segment had marked a milestone in 2018 where the manufacturing segment had recorded a profit before interest and tax of RM7.8 million.

Property Development & Construction Segment

The Group's first project in property development & construction segment to construct one hundred and six (106) units of terrace houses in Pengkalan Hulu, Perak is expected to obtain CCC in the financial year of 2019. The Kota Bharu project had also completed in February 2019.

Additionally, the Group had also successfully launched the affordable housing project in Daerah Seberang Perai Utara in 2018. As for the Hulu Langat project, it is at the planning stage. The property development and construction segment will continue to explore the opportunity in the development of the affordable housing scheme and also in the non-residential development especially in the development of the technology base factories for the high technology industries.

Gaming & Leisure Segment

The Group had successfully turnaround the gaming & leisure segment in Cambodia in 2017. The Group will continue its strategy to expand its sales network to more provinces and increase the number of agents including moving into new office in 2018 to cater to the need of its growing agencies. More games will be introduced on top of the existing 5 digits forecast gaming. The Group has also put in place a plan to establish its casino operation in 2019.

Risks Assumed in Business Operations

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

i) Business Risk

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

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

ii) Political, Economic and Regulatory Considerations

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

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

Risks Assumed in Business Operations (cont'd)

ii) Political, Economic and Regulatory Considerations (cont'd)

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

iii) Foreign Exchange Risks

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

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

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

iv) Liquidity Risks

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as and when they fall due. The Group 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 and maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

Forward Looking Statement

Based on a report by World Bank, the global growth is projected to moderate from a downwardly revised 3 percent in 2018 to 2.9 percent in 2019 and 2.8 percent in 2020-21, as economic slack dissipates, monetary policy accommodation in advanced economies is removed, and global trade gradually slows. Henceforth, the Group will take proactive measures to ensure that it will remain steadfast and to optimize the opportunities presented in any economic situations.

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

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

As for property development & construction segment, the number of property transactions are expected to remain unchanged due to the expected sustained GDP growth in 2019. Under Budget 2019, the government has allocated budgets to address rising cost of living and affordable housing issues among the first timer buyer and the lower to middle income segments of the population, and this will stimulate residential sales, apart from other plans to increase the number of units of low and medium cost, affordable housing. In light of the above, the Board believes that the property development & construction segment has great potential to grow and will continue to explore the opportunities for affordable housing. The Board believes that this will enhance our revenue and profitability.

The gaming & leisure segment in Cambodia is expected to have an equally beneficial prospect. With the rise in disposable incomes for Cambodians, a larger proportion of Cambodians are able to participate in the lottery industry. Moreover, the current influx of tourists in Cambodia may also contribute to the flourishing of the gaming and leisure segment of the Group. Based on a report by Cambodia's Ministry of Tourism, the international tourist arrivals had increased from 4.2 million in 2013 to 5.6 million in 2017. The Board believes that we should be able to benefit from these opportunities.

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

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

Directors' Profile

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir

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

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

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

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

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

Liang Wooi Gee

Male
Malaysian
47

Mr. Liang Wooi Gee 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 currently the Group Chief Financial Officer. He holds a Higher Diploma In Management Accounting and is currently a finalist of Chartered Institute of Management Accountant (CIMA).

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

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

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

Chuah Chong Ewe

Male
Malaysian
52

Mr. Chuah Chong Ewe was appointed to the Board of Luster as an Executive Director on 21 September 2018. He graduated from University of Malaya with a degree in LLB (Hons). He was admitted to the Malaysian Bar Council in 1993 and has approximately 19 years of experience in legal practice.

He joined Seal Incorporated Berhad in year 2005 as an Advisor before being promoted as Group Chief Executive Officer. He left Seal Incorporated Berhad in 2014 and joined Pentamaster Corporation Berhad. Mr. Chuah through his leadership via various corporate entities had undertaken and completed sizeable mixed development with total Gross Development Value (GDV) of almost RM1 billion in various parts of the country.

He is a member of the Risk Management Committee.

He is executive director and Chief Executive Officer of Pentamaster Corporation Berhad.

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.

Directors' Profile (Cont'd)

Phuah Cheng Peng

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

He started his career in the planning and designing of major infrastructural work for township development, construction and project management. In 2005, he ventured into property development mainly on landed development of affordable housing in the northern region. In 2010, he managed to procure several high potential land and lead a group of professionals to pursue on high-rise and landed development in Penang, Kedah, Kelantan and Klang Valley. He was appointed as Managing Director of GSD Group of Companies and its associate companies, which are involved in property development and construction, in 2010. He had successfully completed a number of iconic projects in Penang Island with a total gross development value of more than RM1.5 billion which consist of 1,600 units of mixed residential and commercial properties. Under his leadership, he had also completed a number of construction projects with value of more than RM650 million. He had also successfully completed 1,200 units of mixed development, mainly affordable housing and commercial units in Kedah, Penang and Kelantan with gross development value of more than RM 300 million. He left GSD Group of Companies and its associate companies in 2016 but was appointed as an advisor to the Group. Currently, he is also being appointed as an advisor to few development and construction projects in the northern region.

He 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.

Wee Song He, Wilson

Male
Singaporean
39

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

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

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

Directors' Profile (Cont'd)

Ahmad Kamal Bin S. Awab

Male
Malaysian
63

Encik Ahmad Kamal Bin S. Awab was appointed to the Board of Luster as an Independent Non-Executive Director on 21 July 2017. He holds a Diploma in Credit Management of MARA Institute of Technology and Masters of Business Administration from Brunel University through Henley Management College.

A banking and business management veteran of over 35 years plus; a well-known and recognized individual for his wide circuit in handling and managing relationships of global multi-national companies, financial institutions and local corporate as well as public sector state agencies and government-linked companies. he has proven an exemplary track record in areas of credit and risk management, global transaction services, capital markets, corporate finance, derivatives and treasury products in his years of services with global banking institutions such as Citibank, ABN-AMRO Bank and Deutsche Bank. He also had served as a Senior General Manager of Malaysia Nasional Insurance for a period of one year before joining H2O Capital Sdn Bhd as its Advisor where he served for 6 years before leaving the company in 2008 to take up the position as the Head of Global Corporate and Financial Institutions for the Commercial Bank of Qatar, (a Stock Company of Qatar) in Doha, Qatar. Apart from his role as Head of Global Corporate and Financial Institutions, he also oversees the International Syndication portfolios and Corporate Finance transactions as well as Remedial, Recovery Management primarily restructuring and reconstructing credit/debt defaults. In addition, he was also entrusted with the responsibility of overseeing Audit, Risk management, Corporate Governance and Compliance where he was exposed to the aspects of another regional market covering the Middle East and North Africa.

He left Commercial Bank of Qatar in 2013. In 2014, he was made the Advisor and ASEAN Regional Representative of Bridgeway Finance Limited, United Kingdom was also appointed as Advisor to COGE Global Ventures Sdn Bhd (where he has resigned from the two positions in December 2018). In August 2017, he was appointed as Director of Leverage3 Consulting Sdn Bhd. In addition, he is the Chief Executive Officer of Premium Capital Partners Sdn Bhd, a non-bank lender pioneer in General Insurance Premium Financing business of extending credit to policyholders (insured) to pay insurance premium.

He has constantly re-engineered and updated himself in the field of finance and risk management through interaction with industry experts and seminars attended in his personal capacity.

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

Mohamed Shukri bin Mohamed Zain

Male
Malaysian
54

Encik Mohamed Shukri bin Mohamed Zain 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, United States of America in 1987.

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

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

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

Note:
1. Other than traffic offences, none of the Directors of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
2. The Directors' shareholdings are as disclosed in page 43 and 44 of this Annual Report.
3. None of our Directors hold or have held any directorship in other public companies and listed companies, save for Mr Chuah Chong Ewe, who is currently the executive director and Chief Executive Officer of Pentamaster Corporation Berhad.

Key Senior Management Profile

Liang Wooi Gee

Deputy Managing Director, Group Chief Financial Officer and Managing Director of Exzone Precision Engineering Sdn Bhd.

The profile of Mr Liang Wooi Gee is listed under Board of Directors' Profile on page 12 of this Annual Report.

Tan Kim Cheang

Executive Director of Exzone Precision Engineering Sdn Bhd (EPE) and Exzone Plastics Manufacturers Sdn. Bhd. (EPM)

Mr. Tan Kim Cheang (male), aged 50, a Malaysian, is the Executive Director of EPE and EPM. He completed his secondary education in 1987. He joined QCD (M) Sdn Bhd (QCD), a plastic injection moulding company, in 1988 as a Quality Controller. With his experiences in quality control, he was promoted to a Project Coordinator in 1990. In 1991, he was designated to be in-charged of customer service and coordination. He had gained extensive experiences from quality management to operation and marketing management during his tenure with QCD. He left QCD in 1993 to join EPM as Assistant Marketing Manager and since then he had worked his way to be the Executive Director on 19 May 2009 in EPM. He was appointed as Executive Director of EPE on 3 July 2018. He is currently responsible for the marketing and operation management of EPE and EPM.

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

Wee Song He, Wilson

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

The profile of Mr Wee Song He, Wilson is listed under Board of Directors' Profile on page 13 of this Annual Report.

Zaibidi Bin Mahamod

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

Encik Zaibidi Bin Mahamod (male), aged 57, a Singaporean with a Malaysian permanent resident status is the Managing Director of WPE. He graduated with a Master Craftman Certificate from Precision Institute Engineering. He has 15 years of experience in Research and Development and production with ordinance development and engineering with Singapore Technology Group before joining WPE in 1996 as Assistant Manager responsible to set-up Pattern Mould Machining Department and subsequently appointed as Director of WPE on 5 August 2004.

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

Key Senior Management Profile (Cont'd)

Phuah Cheng Peng

Managing Director of Luster Construction Sdn Bhd, Luster Venture Sdn Bhd and Luster Hijauan Home Sdn Bhd

The profile of Mr Phuah Cheng Peng is listed under Board of Directors' Profile on page 13 of this Annual Report.

Chuah Chong Ewe

Executive Director of Luster Construction Sdn Bhd, Luster Venture Sdn Bhd and Luster Hijauan Home Sdn Bhd

The profile of Mr Chuah Chong Ewe is listed under Board of Directors' Profile on page 12 of this Annual Report.

Goh Khoon Hau

Group Financial Controller

Goh Khoon Hau (male), aged 48, a Malaysian, is the Group Financial Controller. He is a member of the Malaysian Institute of Accountants. He obtained his professional qualification in Association of Chartered Certified Accountants (ACCA) in year 2000.

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

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

Note:
1. Other than traffic offences, none of the Key Senior Management of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
2. None of our Key Senior Management hold or have held any directorship in other public companies and listed companies, save for Mr Chuah Chong Ewe, who is currently the executive director and Chief Executive Officer of Pentamaster Corporation Berhad.

Sustainability Statement

INTRODUCTION

This sustainability statement is prepared as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) and in accordance with the Sustainability Reporting Guide (Guide) issued by Bursa Malaysia.

The Company and its subsidiaries (Group) have relied on the guidance provided under the Guide for its sustainability practices. The Guide provides guidance on how to embed sustainability in our organisation and helps us to identify, evaluate and manage our material economic, environmental and social (EES) risk and opportunities. Our sustainability practices aim to generate long term benefits for our stakeholders in terms of business continuity and value creation and at the same time contribute to the advancement of the larger society while still retaining the fundamental purpose of our enterprise.

SCOPE OF REPORTING

This statement covers the sustainability practices and initiatives of our core business operations for the financial year ended 31 December 2018 unless otherwise stated.

Our core business operations comprised of two divisions i.e. (1) manufacturing activities – manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products, original equipment manufacturer for hygiene and pests control products and precision engineering work and manufacturing of die-casting components; and (2) property development and construction.

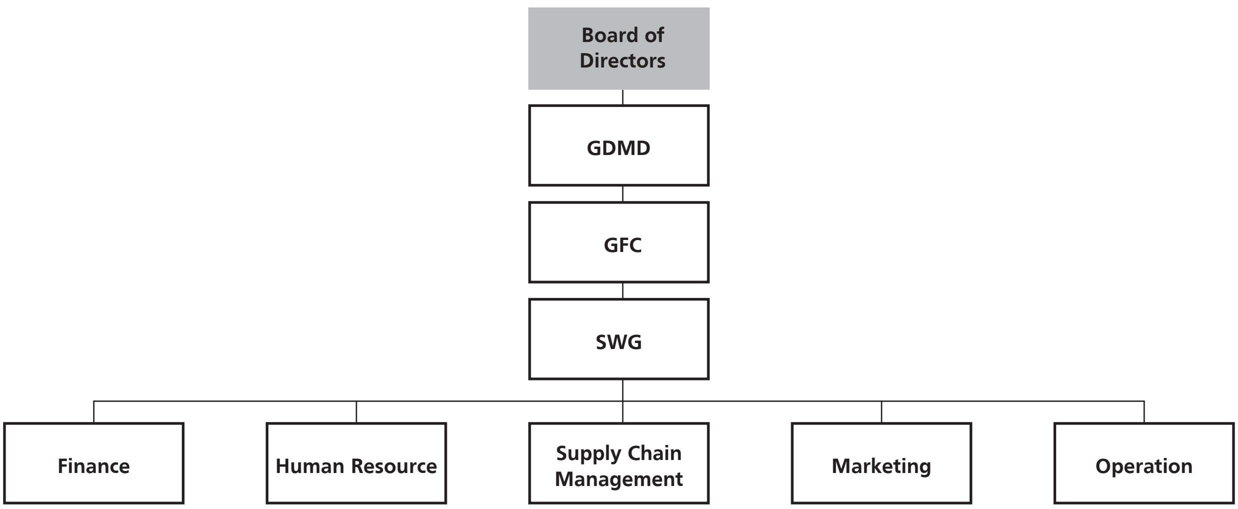
COMMITMENT TO SUSTAINABILITY

Sustainability practices should be embedded and integrated into the business operations of an organisation rather than on a standalone basis, to ensure continuity, relevance and sustainability of the practices. In order to embed sustainability effectively, our Board of Directors (Board) has committed to lead the sustainability development efforts by establishing a Sustainability Working Group (SWG) to be responsible for identifying material sustainability matters, formulating the related sustainability initiatives and practices and overseeing their implementation and performance. The SWG is headed by the Group Financial Controller (GFC) and its members are represented by the head or a senior representative from each department namely finance, human resource, supply chain management, marketing and operation. The GFC reports to the Group Deputy Managing Director (GDMD) who is tasked with overseeing the implementation of sustainability strategies set by the Board. The Board is ultimately responsible for setting up sustainability strategies.

Our GDMD provides strong stewardship towards the implementation of the sustainability initiatives within the Group.

GOVERNANCE STRUCTURE

The reporting governance structure is as follows:



Sustainability Statement (Cont'd)

GOVERNANCE STRUCTURE (cont'd)

The roles and responsibilities of the above governance bodies are:

The Board

- Oversees the sustainability efforts and initiatives of the Group;
- Reviews and endorses the Group's material sustainability matters;
- Reviews and endorses the sustainability initiatives proposed by the SWG;
- Reviews and endorses the annual sustainability statement for inclusion in our annual report; and
- Sets strategies that support long-term value creation and includes strategies on EES considerations underpinning sustainability.

SWG

- Identifies material sustainability matters that are relevant to the Group's business operations;
- Proposes sustainability initiatives and measures to be implemented across the Group;
- Implements sustainability initiatives that have been approved by the Board;
- Conducts data gathering for sustainability reporting; and
- The Chairman reports the overall progress of the Group's sustainability efforts to the GDMD who in turn reports same to the Board.

Sustainability Practices

In line with the Guide, sustainability is viewed in the context of EES, as good governance is regarded as one of the underlying foundations that underpin the focus on performance along the aforementioned dimensions. The terms economic, environmental and social can be explained as follows:

Economic	Environmental	Social
An organisation's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. It does not focus on the financial condition of the organisation. *Note: These may include the organisation's procurement practices, or community investment.*	An organisation's impact on living and non-living natural systems, including land, air, water and ecosystems. *Note: These may include the organisation's usage of energy and water, discharge of emissions, or loss of biodiversity, etc*	The impacts an organisation has on the social systems within which it operates. *Note: These may include the organisation's relationships with communities, employees, consumers, etc.*

(Source: Adapted from the Global Reporting Initiative (GRI) Standards)

STAKEHOLDERS ENGAGEMENT

A stakeholder is essentially an individual or a group that has an effect on, or is affected by our Group and our activities. Naturally, our stakeholders influence the way we carry out our business activities and how we formulate our strategies to meet their expectations and to generate long term benefits for our stakeholders in terms of business sustainability and value creation.

The table below lists the needs of our different stakeholder groups and how we engaged and addressed their needs.

Stakeholder Groups	Areas of Interest	Engagement Platforms
Investors/shareholders	• Return on investment • Financial performance • Business prospects	• Engagement with shareholders during the Company's Annual General Meeting • Quarterly reporting • Dissemination of information through press release and the Company's website • Investors' briefing • Independent analysts' report
Customers	• Product quality • Manufacturing capacity • Reliability • Competitive prices • Collection within credit period	• Customers feedback • Customer audits • After sales service • Sales and marketing visits • Manufacturing collaboration
Vendors	• Procurement policy and procedures • Prompt payments within credit period • Business prospects and financial stability	• Disseminate procurement policy and procedures • Assessment on suitability of vendors • Reinforcement of ethical business practices
Employees	• Competitive salary and benefits package • Clear line of reporting and proper communication channel • Work – life balance • Career path and opportunities	• Employee handbook • Survey on Human Resource (HR) practices in the market • On-the-job, internal and external training • Engagement with employees • Sports and recreation programme • Occupational safety and health
Communities	• Impact of operations on surrounding environment • Corporate social responsibility	• Engagement with local communities • Provide job opportunities • Pay attention to polluting emissions and effluents
Regulatory authorities	• Compliance with existing laws • Standards and certification	• Updates on rules and regulations • Consultation with authorities • Attendance at relevant seminars and conferences

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters

Sustainability matters are the risks and opportunities arising from the EES impacts of our organisation's operations and activities and sustainability matters are considered material if they (a) reflect our Group's significant EES impacts; or (b) substantively influence the assessments and decisions of our stakeholders.

Based on existing policies and practices, we have identified and prioritised the following material sustainability matters which have the greatest impacts on our business operations and stakeholders.

		Sustainability Pillars		
		Economic	Environmental	Social
Material Sustainability Matters	Customer Satisfaction	△		
	Manufacturing	△		
	Supply Chain Management	△		
	Employees	△		
	Waste Management		○	
	Noise Pollution Control		○	
	Air Emissions		○	
	Occupational Safety and Health			□
	Corporate Social Responsibility			□

Legend: △ Economic ○ Environmental □ Social

Economic

We have formulated sustainability practices which aim to generate long term benefits for all our stakeholders in terms of business continuity and value creation.

Depending on the financial performance of our Group, we are mindful of rewarding our shareholders with the appropriate returns on their investments in our Company. We always engage our shareholders during our annual general meeting which is a platform for them to air their views and to question management on matters of interest. In addition we engage with analysts who cover our Group's financial performance to ensure they understand our business model and have access to correct and updated facts and data for their reporting. Such reports are uploaded to our website under the page "Investor Relations". We have in place policies and practices which govern our business dealings and the conduct of our employees and the same have been disseminated to all concerned either through our website or made known to employees at their place of work.

- ***Marketplace***

  We are committed to conduct our business activities ethically and in a transparent manner so as to build a strong, trusting and lasting business relationship with all our stakeholders.

- ***Customer satisfaction***

  Our customers' satisfaction level is very much dependent on our product quality, competitive pricing, support services and reliability in delivery and effective attention to complaints. In this respect, the quality management system we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to fulfil our customers' high demand for quality. We live up to our motto, "To do our best, give our best and be the best" and in this connection, our employees are required to attend training relating to manufacturing process, product knowledge and soft skills development in line with the Quality Policy commitment as required by ISO9001:2015 *Quality Management System – Requirements.*

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Economic (cont'd)

- ***Customer satisfaction (cont'd)***

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

  All of our esteemed customers are provided a survey form with 4 major category questions, and their response are rated within the range of 1 to 5 (1 being the lowest rating).

  The annual average performance rating in 2018 is 3.8, while rating for 2017 is 3.9. Our management’s target for overall customer satisfaction rating is 3.0 and above.

  Base on the survey, we have improved on the level of customer satisfaction over the years, and it is our top priority to better our rating year on year and to sustain high customer satisfaction level at all times.

Customer Satisfaction Rating		
2017	**2018**	**Target**
3.9	3.8	3.0

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

- ***Manufacturing collaboration***

  We have established a strong research and development (R&D) team to provide value added services to our customers. Our R&D team spent time and effort to improvise on our customers’ product designs and types of material usage with a view of enhancing the product’s efficiency as well as reducing cost of production for our customers. As we have the intimate knowledge of some of our customers’ products and market demands and expectations, our R&D team more often than not takes the initiative to work concurrently with our customers to develop new products for them. We strongly believe our initiatives will sustain our business for the long term besides creating values for our stakeholders.

- ***Lean manufacturing***

  We have implemented a Lean Manufacturing Program which focuses on reducing wasteful and inefficiency practices within our manufacturing systems while simultaneously improving quality and productivity.

  In this respect, we have implemented the 6S workplace organization method i.e. Seiri (Sort), Seiton (Set in Order), Seiso (Shine), Seiketsu (Standardise), Shitsuke (Sustain) and Safety in our workplace management in order to achieve enhanced working environment, human capabilities as well as productivity and sustain a safety culture environment. In our efforts to ensure constant observance of the 6S principles, monthly audits and inspections are performed on every department.

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Economic (cont'd)

- ***Lean manufacturing (cont'd)***

  The table below summarises the results of the initiatives we have taken pursuant to the 6S implementation:

ACTION	IMPACTS
OBJECTIVE 1: Reduction of total manpower	
Eliminate rubbing process	Improved process time from 271.4 seconds to 225.6 seconds & reduction of one operator used in the process
Increase line speed	Line speed increase from 2 to 3, the output increase from 350 to 550 using 4 operators instead of 5 operators before improvement
OBJECTIVE 2: Increase hourly output	
Increase number of parts on one mesh	Increase Hourly output from 2,880 pieces to 4,320 pieces
Change of method of measurement	Increase Hourly output from 110 pieces to 200 pieces
Change of method of conveying the parts	Increase Hourly output from 25 pieces to 35 pieces

- ***Supply chain management***

  We have various initiatives in place to work towards a more sustainable supply chain management. All supply chain management activities are monitored and managed by the Supply Chain Department.

  We are engaged in responsible procurement practices whereby proper procedures are laid down to ensure that any procurement made is properly evaluated and approved by the relevant approving authority after considering the production needs and existing stock balance position. We only source our raw materials from approved vendors which meet acceptable and ethical business practices such as complying with our Corporate Social Responsibility (CSR) principles and practices. As a tool in this respect, our vendors are required to submit a Supplier Declaration Form which encompasses: compliance with laws, improper payments, hospitality and expenses, conflict of interest, minimum employment age, forced labour, freedom of association and right to collective bargaining, working hours, minimum wage, employment practices, minority rights, environment, safety and health, selection of business partners, agents and other intermediaries, and standards towards own suppliers; all of which are in sync with our own practices.

  Our officers are expected to conduct themselves ethically and are only allowed to accept non-cash gifts from vendors in relation to cultural/festive celebrations. We will not tolerate any corrupt practices in all business dealings and any breach of this policy will be dealt with severely.

- ***Workplace***

  Our employees are our greatest asset and managing them is our priority. We have in place our Employee Handbook which spelt out our HR policies and practices and comply with the Employment Act, 1955. In order to retain our talents we have come out with competitive remuneration package which is comparable in the industry we operate, as well as creating a safe and healthy and conducive workplace. This strategy will provide us with a stable and productive workforce which will contribute to our sustainability efforts. Further, we have in place our code of conduct to govern the ethics and behaviour of our employees in the discharge of their duties in our workplace as well as in our business dealings with customers, vendors and service providers.

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Economic (cont'd)

- ***Recruitment***

  We have implemented a standard recruitment procedure which will ensure the proper identification and recruitment of new talent to join our organisation to contribute to the growth of our business.

- ***Career path***

  In order to retain our talents, we provide opportunities for high-potential employees to develop and progress to senior positions in the Group. Priority is given to existing employees for promotions rather than getting fresh candidates from outside.

- ***Training***

  We believe in empowering our employees by having in place a standard operating procedure on training and personnel development. By providing appropriate training to our employees will result in up scaling their skills and competencies, providing better customer service, productivity improvements, better efficiency and better workplace safety practices.

  Besides on-the-job training, we also organise in-house structured training for our employees as well as sending selected employees to attend external recognised courses or seminars.

- ***Work-life balance***

  To promote a healthy working life, we believe in providing a balanced work-life environment to all our employees to enable them to have more time for their family and/or to pursue and advance their areas of interest. In this respect we do not encourage overtime work unless it is absolutely necessary such as to meet customer's order or regulatory deadlines. To promote a healthy lifestyle, our recreation club organises various activities for our employees.

- ***Work and business ethics and anti-corruption policy***

  Our work ethics require all our employees to discharge their duties and responsibilities in accordance to their job functions professionally, honestly, productively and efficiently. Likewise for those conducting business on behalf of the Group are required to observe generally accepted business ethics such as engaging in fair negotiations with our customers and vendors and adopting a "win-win" strategy when closing business deals.

  Premised on the aforementioned, we will not tolerate bribery and corrupt practices among our employees irrespective of ranks and status. As bribery and corrupt practices fall under criminal, anyone caught will be dealt with severely like reporting to the police and brought to court.

- ***Employee welfare***

  We recognise that our employees are the driving force behind our growth and operational success.

  We have a recreation club where activities such as sports and festivities celebrations are organized for employees and management staff to participate and interact. By celebrating the various festivals among our employees, we have embraced diversities to promote understanding of each other's culture and thereby creating harmony, peace and joy in our organisation.

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Economic (cont'd)

- ***Employee welfare***

  The following events were organised for our employees in the financial year 2018:

Activities	Date
Hospital Metro Health Talk	Feb-2018
AD6 Campaign Launching	Apr-2018
Health Screening By GH	Mar-2018
Jamuan Hari Raya Aidil Fitri	Jun-2018
EPE Fun Day	Aug-2018
Tupah Eco Project	Sep-2018
Masak Bubur Asyura	Sep-2018
Pantai Merdeka Outing	Nov-2018

- ***Whistleblower policy***

  We are committed to conduct our affairs in an ethical, responsible and transparent manner. In this respect, we have a whistleblower policy in place whereby our employees are encouraged to report any malpractices or wrongdoings to the Chairman of the Audit Committee for any unethical or illegal conduct in financial reporting and to the Group Deputy Managing Director for any employment related concerns. The identity of a whistleblower is protected under this policy.

- ***Certification and awards***

  We have acquired the following certifications:
  - ISO 9001:2015 – *Quality Management Systems* which sums up the high standard of management practices in our organisation. This certification ensures our customers consistently receive high quality product and services, which in turn brings many benefits to our customers and our organisation.

  - ISO 14001:2015 – *Environmental Management System – Requirements with Guidance for Use,* for the manufacture of plastic products by injection moulding process including secondary processes (spraying, sputtering, printing and assembly).

  Over the years, we have been accorded recognition by our customers for our capabilities with awards such as best vendor, outstanding support vendor, value engineering, best business partner and outstanding supplier, just to name a few.

Environmental

As a responsible corporate citizen, we have the responsibility to protect the environment where we operate in. As such we are committed to sustainability development goals and we operate in a way that ensures the environment is clean and safe from harmful pollutants. We believe in preserving the environment for future generations whilst meeting the needs of our stakeholders.

- ***Waste management***

  As a leading responsible manufacturer of plastic products in the region, we are aware of the importance of environmental management arising from the waste we generate from our manufacturing activities. Given the nature and size of our operations, our processes produce a significant amount of waste. We are committed to comply with applicable environmental laws and regulations. The fact that we have been certified with ISO 14001:2015 - *Environmental Management System – Requirements with Guidance for Use,* affirmed our commitment to such a material sustainability matter. In this regard, we have formed a 6S Committee with the objective to reduce our waste and to improve on waste management.

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Environmental (cont'd)

- ***Waste management (cont'd)***

  We have categorised wastes as scheduled and non-scheduled according to the regulations of the Department of Environment (DOE). Scheduled wastes are collected by the DOE approved contractors pursuant to the Environmental Quality (Scheduled Wastes) Regulations, 2005 while non-scheduled wastes on the other hand are scrapped or collected by DOE approved contractor to be recycled or disposed of at landfills. The main non-scheduled wastes generated by our operation are paper, wood and plastic.

  In our effort to reduce waste generation, we also practise the 3R principle of reducing, reusing and recycling of resources.

- ***Noise pollution control***

  As noise is inevitable in some of our heavy machine processes, we have implemented measures to mitigate the impact on our workers. In particular, location near crusher and cooling tower have been identified as the area most affected by the noise levels generated by these two types of machine and equipment as shown in the table below.

		DAY TIME PERMISSIBLE SOUND LEVEL: 70dBA		NIGHT TIME PERMISSIBLE SOUND LEVEL: 60dBA	
LOCATION		**2017 AVERAGE**	**2018 AVERAGE**	**2017 AVERAGE**	**2018 AVERAGE**
1)	Guard post	53.7	56.3	52.4	58.4
2)	Near admin building	55.7	62.8	53.3	57.8
3)	Near crusher	65.5	55.3	45.8	57.8
4)	Near cooling tower	59.4	84.1	54.4	77.7

  An Environmental Management System Committee (EMSC) is formed to co-ordinate and enforce environmental management activities. In order to mitigate employee noise exposure, we provide personal protective equipment such as hearing protection to those working in sections with higher noise exposure. Audiometry test is carried out periodically to monitor employee's risk of detrimental exposure to noise.

- **Air emissions**

  Though we do not generate significant air emissions but that does not preclude us from meeting regulatory standards set by the DOE pursuant to the Environmental Quality (Clean Air) Regulation (2014). The EMSC regularly conducts air emissions sampling checks in order to ensure adherence to DOE's limits.

2018 CHIMNEY	**PARAMETER**	**REMARK**
Chimney 1	Particulate matter	COMPLIED
Chimney 2	Particulate matter	COMPLIED
Chimney 4	Particulate matter	COMPLIED

Social

- ***Occupational safety and health***

  Our policy is to create a safe and healthy workplace for our employees where they have a peace of mind whenever they are working in our factory premises. We have complied to the best of our ability the existing laws and regulations relevant to our operations such as Occupational Safety and Health Act, 1994, Environmental Quality Act, 1974, Factories and Machinery Act, 1967 and Fire Services Act, 1988.

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Social (cont'd)

- ***Occupational safety and health*** **(cont'd)**

  In this regard, we are certified with the ISO 18001:2007 - *Occupational Health and Safety Management Systems – Requirements.*

  Together with our employees, we have strived to meet the following objectives:

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

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

Year	**2017**	**2018**
Number of Incidents	3 cases	5 cases

An Occupational Safety and Health Committee (OSHC) was formed to co-ordinate and enforce safety and health activities. This Committee undertakes appropriate reviews and evaluation of the operation from time to time for improvement.

In 2018, the following safety and health events have been organised:

Event	**2017**	**2018**
Employee Health Screening Program	42 participants	42 participants
Tertiary Education Student Visit	3 sessions	Nil
Lunch Talk (Health & Safety)	5 sessions	4 sessions
Chinese Alternative Treatment Program	12 sessions	12 sessions
Medical Surveillance	26 participants	20 participants
Audiometry Test	5 participants	4 participants

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

Training	**2017**	**2018**
Chemical Handling	25 participants	Nil
EPR Training	15 participants	33 participants
Forklift & Stacker Safety Driving	25 participants	25 participants
Hearing Conservation Program	5 participants	Nil
FMM dialogue with directors of DOSH & DOE Kedah 2018 & "launching of FMM she mentor - mentee programme"	Nil	2 participants
Certified Environmental Professional in Scheduled Waste Management [Cepswam]	Nil	1 participant

STAKEHOLDERS ENGAGEMENT (CONT'D)

Material Sustainability Matters (cont'd)

Social (cont'd)

- ***Corporate social responsibility***

  We believe in the philosophy of giving back to society to show our gratitude and appreciation for our success and in giving, we strengthen the local communities which will contribute to nation building and at the same time helps to create a culture of giving among our employees.

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

  Apart from that, the Group also gave donations to charities and sports and cultural society.

Conclusion

Going forward, we will continue to strengthen our sustainability development efforts by revisiting and reassessing the identified material sustainability matters ("MSM") for recalibration if necessary, and to identify new MSM for action.

We are committed and serious in our sustainability practices to bring our Group to the next level of excellence giving assurance to our business continuity and value creation.

Corporate Governance Overview Statement

INTRODUCTION

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

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

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (CG Report). This CG Report was announced together with the Annual Report of the Company on 30 April 2019. Shareholders may obtain this CG Report by accessing the Company's website at https://www.lustergroup.com for further details.

Principle A: Board Leadership and Effectiveness

1.1 Board Responsibilities

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

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

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

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

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

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

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

1.1 **Board Responsibilities (cont'd)**

During the financial year, the Board met four (4) times, where it deliberated upon and considered a variety of matters including the Group's financial results and risk management. The attendance of the Directors who held office during the financial year ended 31 December 2018 is set out below:

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

^ *Appointed on 21 September 2018*

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 2018.

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

All Directors have attended the Mandatory Accreditation Training Programme during the financial year ended 31 December 2018 as required by Bursa Malaysia Securities Berhad (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 August 2018	Wee Song He, Wilson	Together We Stand
15 August 2018	Liang Wooi Gee	SST 2.0 Seminar
25 & 26 October 2018	Wee Song He, Wilson	Industrial First Aid & CPR Competency

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 Binti Almarhum Tuanku Munawir, Mr Chuah Chong Ewe, Mr Phuah Cheng Peng, Encik Ahmad Kamal Bin S. Awab and Encik Mohamed Shukri Bin Mohamed Zain were not able to attend any seminars and / or training programmes during the financial year due to overseas travelling and their busy work schedule. However, they have kept themselves abreast on financial and business matters through readings and attending customers' and suppliers' meetings to enable them to contribute to the Board. They are also aware of their duties and responsibilities and will continue to undergo other relevant training programmes to keep abreast with new regulatory developments and requirements in compliance with the Main Market Listing Requirements on continuing education.

Corporate Governance Overview Statement (Cont'd)

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

1.1 **Board Responsibilities (cont'd)**

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.

1.2 **Board Composition**

The Board currently consists of seven (7) members, comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors. The Board is led by an Independent Non-Executive Chairman. The number of Independent Non-Executive Directors is in compliance with the Main Market Listing Requirements of Bursa Securities, which requires the Board to have at least two (2) or one third (1/3) of the Board of Directors, whichever is higher, to be Independent Directors.

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

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

1.2.1 **Audit Committee**

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

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

The Audit Committee consists of three (3) Directors, all of whom are Independent Non-Executive Directors. The terms of reference is available on the Company's website at https://www.lustergroup.com and the activities of the Audit Committee during the financial year are presented under the Audit Committee Report on page 39 and 40 of this Annual Report.

1.2.2 **Nominating Committee**

The Nominating Committee comprises of three (3) Independent Directors and their attendance of meetings during the financial year 2018 is as follows:

Nominating Committee	Position in Nominating Committee	Directorate	Attendance
Mohamed Shukri Bin Mohamed Zain	Chairman	Independent Non-Executive Director	2/2
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir	Member	Independent Non-Executive Chairman	2/2
Ahmad Kamal Bin S. Awab ^	Member	Independent Non-Executive Director	0/0

^ Appointed on 27 February 2019

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

1.2 **Board Composition (cont'd)**

1.2.2 **Nominating Committee (cont'd)**

The Nominating Committee is responsible for:

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

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

- Adding Value
- Conformance
- Stakeholder Relationship
- Performance Management

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

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

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

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

In accordance with the Company's Constitution, at least one-third of the Directors for the time being, 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 Wee Song He, Wilson, Tunku Datin Annie Dakhlah Binti Tuanku Munawir and Chuah Chong Ewe who are eligible, will be offering themselves for re-election at the forthcoming AGM.

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

- Reviewed the current board structure, size and composition;
- Reviewed and assessed the Board of Directors mix of skills, experience and other qualities, including core competencies which directors should bring to the board;
- Assessed the effectiveness of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual director;
- Assessed the performance of Independent Directors;
- Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles;

Corporate Governance Overview Statement (Cont'd)

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

1.2 **Board Composition (cont'd)**

1.2.2 **Nominating Committee (cont'd)**

The Nominating Committee had met twice during the financial year and its activities are summarised as follows: (cont'd)

- Reviewed and recommended the re-election or re-appointment of Directors who were retiring and seeking for re-election or re-appointment at the 31st AGM;
- Recommended to the Board on the appointment of Mr Chuah Chong Ewe as Executive Director; and
- Reviewed the term of office and performance of Audit Committee and each of its members.

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

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

1.2.3 **Remuneration Committee**

The Remuneration Committee comprises of majority of independent directors and their attendance of meeting during the financial year 2018 is as follows:

Remuneration Committee	Position in Remuneration Committee	Directorate	Attendance
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir	Chairman	Independent Non-Executive Chairman	1/1
Liang Wooi Gee	Member	Deputy Managing Director	1/1
Ahmad Kamal Bin S. Awab	Member	Independent Non-Executive 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 2018 to review Directors' fees and remuneration package of Executive Directors. The Directors are satisfied with the current levels of remuneration, which are in line with the responsibilities expected by the Company. In general, the remuneration is structured so as to link reward to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned.

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

1.2 **Board Composition (cont'd)**

1.2.3 **Remuneration Committee (cont'd)**

The details of the remuneration of Directors for the financial year ended 31 December 2018 are as follows:

	Fees RM'000		Salaries RM'000		Other emoluments RM'000		Total RM'000	
	Group	**Company**	**Group**	**Company**	**Group**	**Company**	**Group**	**Company**
Executive Directors								
Liang Wooi Gee	36	36	501	-	48	-	585	36
Chuah Chong Ewe ^	6	6	76	-	8	-	90	6
Phuah Cheng Peng	24	24	288	-	30	-	342	24
Wee Song Hee, Wilson	24	24	266	-	-	-	290	24
Non-Executive Directors								
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir	72	72	-	-	2	2	74	74
Ahmad Kamal Bin S. Awab	36	36	-	-	2	2	38	38
Mohamed Shukri Bin Mohamed Zain	36	36	-	-	5	5	41	41
Total	234	234	1,131	-	95	9	1,460	243

^ Appointed on 21 September 2018

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

1.2.4 **Risk Management Committee**

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

Risk Management Committee	Position in Risk Management Committee	Directorate
Mohamed Shukri Bin Mohamed Zain	Chairman	Independent Non-Executive Director
Liang Wooi Gee	Member	Deputy Managing Director
Ahmad Kamal Bin S. Awab	Member	Independent Non-Executive Director
Wee Song He, Wilson	Member	Executive Director
Chuah Chong Ewe ^	Member	Executive Director
Phuah Cheng Peng ^	Member	Executive Director

^ Appointed on 27 February 2019

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

Corporate Governance Overview Statement (Cont'd)

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

1.2 **Board Composition (cont'd)**

1.2.4 **Risk Management Committee (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.

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

PRINCIPLE B: Effective Audit and Risk Management

2.1 Sound Risk Management Framework

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

The Board provides strategic direction and formulates appropriate corporate policies to ensure the Group's resources and profitability are 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 page 37 and 38 in this Annual Report under the Statement on Risk Management and Internal Control.

2.2 Internal Audit Function

The internal audit function is set out in the Audit Committee Report on page 40 of this Annual Report.

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

Communication with Stakeholders

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

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

Conduct of General Meetings

The general meetings, including AGM and Extraordinary General Meeting (EGM) are the principal forums for dialogue and interaction with the shareholders of the Company. During the financial year of 2018, two (2) general meetings were held, which were the 31st AGM held on 23 May 2018 and the EGM held on 28 August 2018. 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 and EGM are released to Bursa Malaysia on the same day.

PRINCIPLE C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (cont'd)

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

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

COMPLIANCE WITH THE CODE

The Board is satisfied that, save as disclosed earlier, the Company has in all material aspects, complied with the principles and recommendation set out in The Code that were in place during the financial year ended 31 December 2018.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 26 April 2019.

Other Information

1) Audit and Non-Audit Fees

During the financial year, the audit fees payable to the external auditors by the Group and Luster Industries Bhd (LIB) were RM140,000 and RM39,000 respectively.

The non-audit fees paid or payable by the Group and LIB to the external auditors and a company affiliated to the auditors were RM42,550 and RM8,000 respectively.

The non-audit fees are in relation to review of Statement on Risk Management and Internal Control and taxation services.

2) Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature for the year ended 31 December 2018

Details of transactions with Related Party undertaken by the Group during the financial year are disclosed in Note 27 to the Financial Statements.

3) Utilisation of Proceeds

The Company had on 17 April 2017 and 5 May 2017 issued 76,000,000 and 98,385,500 new ordinary shares respectively through private placement exercise. The placement shares were issued at an issue price of RM0.105 and RM0.1105 per share respectively and total proceeds of RM7,980,000.00 and RM10,871,597.75 respectively were received from the said placement. The proceeds raised from the said issuance have been fully utilized during the financial year to fund the property development expenditure, working capital and defray corporate exercise related expenses.

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

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

(a) On 2 November 2017, Luster Hijauan Home Sdn Bhd (LHH), a wholly-owned subsidiary of Luster Manufacturing Sdn. Bhd, which in turn a wholly-owned subsidiary of the Company had entered into a Joint Venture Agreement (JVA) with Enrich Realty Sdn Bhd (ERSB) to develop the land held under GM 1290, Lot 257, Mukim Hulu Langat, Batu 10, Jalan Hulu Langat, Daerah Hulu Langat, Negeri Selangor, measuring approximately 3.6725 hectares (the Land) into commercial or residential or mixed commercial and residential estate on the said Land upon the terms and conditions as stipulated in the JVA. On 6 June 2018, LHH and ERSB had mutually agreed to extend the stipulated periods for the fulfilment of the conditions precedent as stipulated in the JVA to 31 December 2018. The payment of landowners' entitlement as stipulated in the JVA is to be paid to Marvellous Havana Sdn Bhd (MHSB). Mr Chuah Chong Ewe is a director of LHH and LIB. He is a director and substantial shareholder of MHSB, holding 50% equity stake in MHSB. LHH had made cash payment of RM6.0 million in total pursuant to the JVA to MHSB after Mr Chuah's appointment as Executive Director of LIB on 21 September 2018.

Statement On Risk Management And Internal Control

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

Responsibility

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

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

Risk Management

Risk management is an integral part of the Group's management process. The Board recognized that risk management can become a strategic competitive advantage if it is used to identify specific actions that enhance performance and minimise 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.

A Risk Management Committee (RMC) was formed to assist the Board of Directors to manage the principal areas of risks. RMC is assisted by Risk Management Team (RMT) in identifying, evaluating and managing the significant risks faced. The RMT comprises of various Heads of Divisions and Departments and Managing Director of the respective subsidiaries. RMT will report to RMC for significant risks identified. The RMC meets from time to time to identify and manage risks to a manageable level. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control framework, functions, processes and reports on a regular basis. 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 Group has an established internal control structure to ensure effective control over the Group's business operations and to safeguard the value and security of the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority in place to assist the Board to maintain a proper control environment. The internal control structure is supported by the following activities:

- An organisation structure with clearly defined lines of responsibility, authority and accountability;
- Documented policies, guidelines, procedures and manuals;
- Regular Board and management meetings on financial and operational performance;
- Training and development programme attended by the employee to continuously enhance their knowledge and competency; and
- Regular reviews on the internal control system by an independent professional firm.

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.

Statement On Risk Management And Internal Control (Cont'd)

Internal Audit Function (cont'd)

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

Other Risks and Control Processes

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

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

Review of this Statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the 2018 Annual Report. This Statement is reviewed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

Conclusion

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

This statement on internal control is made in accordance with a resolution of the Board of Directors dated 26 April 2019.

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 : Ahmad Kamal Bin S. Awab, *Independent Non-Executive Director*

Member : Mohamed Shukri bin Mohamed Zain, *Independent Non-Executive Director*
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir, *Independent Non-Executive Chairman*

Meetings

During the financial year ended 31 December 2018, four (4) Audit Committee meetings were held and the table of attendance of each committee member is as follows:-

Name of Members	No. of Meetings Attended/ Held During Directors' Tenure in Office
Ahmad Kamal Bin S. Awab (Chairman)	4/4
Mohamed Shukri Bin Mohamed Zain	4/4
YAM Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir	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 Work of Audit Committee

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

1. Financial Reporting

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

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

2. External Auditors

- Met with the external auditors twice during the financial year in February 2018 and November 2018 without the presence of any executive Board members.

- Reviewed and discussed with external auditors on their audit findings and the management's response.

- Appraised and evaluated the performance of the external auditors as well as recommendation to the Board for re-appointment.

Audit Committee Report (Cont'd)

Summary of Work of Audit Committee (cont'd)

2. External Auditors (cont'd)

- Considered and adopted the audit planning report prepared by the external auditors for the financial year ended 31 December 2018.

- Considered the audit fee payable to the external auditors.

3. Internal Auditors

- Reviewed Internal Audit Plan for 2018 of the Company, the scope and focus of the internal audit programmes.

- Appraised and evaluated the internal audit function.

- Reviewed internal audit reports of the Company and its operating subsidiaries prepared by the internal auditor, the audit recommendations made and management's response to the recommendations. During the financial year, the areas audited are procurement and payment system, including payable management and property, plant and equipment management in two of the key business units.

4. Recurrent Related Party Transaction (RRPT)

- Reviewed on quarterly basis, the RRPT entered into by the Group.

- Reviewed of the circular to shareholders on the renewal of shareholders' mandate for RRPT.

Internal Audit Function

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

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

The total costs incurred for the internal audit function for the Group for the financial year amounted to RM37,215.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control on page 37 and 38 of this Annual Report.

Financial Statements

Directors' Report

For The Financial Year Ended 31 December 2018

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2018**.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding and the provision of management services to its subsidiaries.

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

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

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	**12,702,529**	**4,297,925**
Attributable to:		
Owners of the Company	**12,578,118**	**4,297,925**
Non-controlling interests	**124,411**	**-**
	12,702,529	**4,297,925**

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any shares or debentures.

WARRANTS

The salient features of the Warrants is set out in Note 17.2 to the financial statements.

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

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Directors of the Company:

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir
Liang Wooi Gee
Phuah Cheng Peng
Wee Song He, Wilson
Ahmad Kamal Bin S. Awab
Mohamed Shukri Bin Mohamed Zain
Chuah Chong Ewe (appointed on 21.9.18)

Directors of the subsidiaries:

Lim See Meng
Mariyappan Sivakumar
Ng Sock Ee
Tan Kim Cheang
Zaibidi Bin Mahamod
Goh Khoon Hau
Chiang Chong Kooi
Lim Thean Ping
Lim See Chea (resigned on 30.7.18)
Lim See Hua (resigned on 30.7.18)
Hoh Kwai Lan (resigned on 30.7.18)
Saffie Bin Bakar (resigned on 30.7.18)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	Balance at 1.1.18	**Bought**	**Sold**	**Balance at 31.12.18**
The Company				
Direct Interest:				
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir	2,565,000	-	-	2,565,000
Liang Wooi Gee	24,022,857	-	(3,750,000)	20,272,857
Phuah Cheng Peng	124,864,500	22,750,000	-	147,614,500
Wee Song He, Wilson	133,426,220	1,500,000	(5,000,000)	129,926,220
Mohamed Shukri Bin Mohamed Zain	100,000	-	-	100,000
Chuah Chong Ewe	67,595,000[1]	5,000,000	-	72,595,000
Deemed Interest:				
[2] Phuah Cheng Peng	1,500,000	-	-	1,500,000
Other Interest:				
[3] Liang Wooi Gee	400	-	-	400
[4] Wee Song He, Wilson	-	800,000	-	800,000

Directors' Report (Cont'd)

For The Financial Year Ended 31 December 2018

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of Warrants A			
	Balance at 1.1.18	**Bought**	**Sold**	**Balance at 31.12.18**
The Company				
Liang Wooi Gee	5,714	-	-	5,714
Phuah Cheng Peng	1,500,000	-	-	1,500,000

Note:
[1] At date of appointment.
[2] Indirect interest by virtue of shares held through mother.
[3] Indirect interest pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by spouse in the Company.
[4] Indirect interest by virtue of shares held through father.

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

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows:

	COMPANY RM	**SUBSIDIARIES RM**	**GROUP RM**
Salaries, allowances and bonus	**9,000**	**2,775,472**	**2,784,472**
Defined contribution plan	**-**	**239,267**	**239,267**
Fees	**234,000**	**-**	**234,000**
	243,000	**3,014,739**	**3,257,739**

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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of insurance premium paid for professional indemnity for the directors and officers of the Company during the financial year amounting to RM7,000.

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 there were no bad debts to be written off and no provision for doubtful debts is required; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

(i) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Company;

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

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

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

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

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

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

In the opinion of the directors:

(i) 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 will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

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

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 32 to the financial statements.

SUBSEQUENT EVENT

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

Directors' Report (Cont'd)

For The Financial Year Ended 31 December 2018

AUDITORS

The total amount of fees receivable by the auditors, **Grant Thornton**, as remuneration for their services to the Group and Company for the financial year ended 31 December 2018 are RM140,000 and RM39,000 respectively.

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

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

……………………………………..	……………………………………..
Chuah Chong Ewe	**Liang Wooi Gee**

Penang,

Date: 19 April 2019

Directors' Statements

In the opinion of the directors, the financial statements set out on pages 53 to 121 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2018** and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

……………………………………..
Chuah Chong Ewe

……………………………………..
Liang Wooi Gee

Date: 19 April 2019

Statutory Declaration

I, **Liang Wooi Gee**, the director primarily responsible for the financial management of **Luster Industries Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 53 to 121 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 **19th**)
day of **April 2019**.)

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

Before me,

……………………………………..
Liew Juan Leng (P162)
Commissioner for Oaths

Independent Auditors' Report

To The Members Of Luster Industries Bhd.
Company No. 156148-P (Incorporated In Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Luster Industries Bhd.**, which comprise the statements of financial position as at **31 December 2018** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 53 to 121.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2018** and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 12.2 and Note 30 to the financial statements. In the previous financial years, the Company had paid refundable earnest deposits amounting to RM6,000,000 to a legal firm acting as stakeholder for Citi-Champ International Ltd. ("Citi Champ") following the Company's intention to invest in a 10% equity interest in SS Ventures Ltd. ("SS Ventures"). Subsequently, the Company then decided to withdraw its interest in acquiring SS Ventures and demanded for a full refund of RM6,000,000 which Citi-Champ refused.

The Company had through its solicitors initiated legal action against Citi-Champ and the other four Defendants ("2nd to 5th Defendants") to recover the stakeholder sum as further disclosed in Note 30 to the financial statements. Following that, the Court of Appeal has granted the Company a mareva injunction against the 2nd to 5th Defendants. The trial had concluded on 6 March 2019. The High Court directed the parties to prepare and complete the transcription of the trial by 27 March 2019. Then the parties are to file written submissions simultaneously by 17 April 2019 and to file written submissions in rebuttal by 1 May 2019. The High Court has also fixed 13 May 2019 for oral submission or clarification of the written submissions.

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

Key Audit Matters

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

Key Audit Matters (cont'd)

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the
Key Audit Matters</th></tr>
<tr><td>Goodwill impairment assessment

(Note 6 to the financial statements)

As at 31 December 2018, the Group has goodwill amounting to RM7.75 million which has been allocated to its manufacturing segment as the cash generating unit ("CGU").

The management is required to perform annual impairment assessment for its goodwill. We focus on this area as management's assessment of the value in use of the CGU involves estimation uncertainty and judgements about the future results of the business and key assumptions applied to future cash flows projection.</td><td>Our audit procedures in relation to the goodwill impairment assessment included:
• Evaluating the model used in determining the value in use of the CGU as well as assessing the discount rate used.
• Challenging the reasonableness of key assumptions based on our knowledge of the business and industry.
• Comparing actual performance of the CGU to assumptions applied in prior years model and assessing accuracy of management's estimates.
• Performing sensitivity analysis on the key assumptions inputted to the model and understand the impact on the overall carrying value of goodwill with the alterations to the key assumptions.
• Assessing the adequacy of disclosures in the financial statements.</td></tr>
<tr><td>Valuation of inventories

(Notes 11 to the financial statements)

The Group holds significant inventories as at 31 December 2018 which exposed the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or selling below their carrying values.

The Group measures inventories at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value required judgement by the Group.

We focused on this area as it involves estimation uncertainty by the directors in determining the accuracy of provision for inventory obsolescence and in assessing the adequacy of inventory not stated at the lower of cost or net realise value.</td><td>Our audit procedures in relation to the valuation of inventories included:
• Obtaining an understanding of:
- the Group's inventory management process;
- how the Group identifies and assesses inventory write-downs; and
- how the Group makes the accounting estimates for inventory write-downs.
• Attending the year end physical inventory counts to identify whether any inventories were slow moving or obsolete.
• Reviewing the consistency of the application of management's methodology in determining and estimating the provision from year to year.
• Reviewing and testing the reliability of the ageing report of inventories provided by management.
• Reviewing and testing the net realisable value of inventories on sampling basis.
• Examining the perpetual records for inventory movements and to identify slow moving aged items.
• Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.</td></tr>
</table>

Independent Auditors' Report (Cont'd)

To The Members Of Luster Industries Bhd.
Company No. 156148-P (Incorporated In Malaysia)

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of trade receivables ***(Note 8 to the financial statements)*** The Group has significant trade receivables as at 31 December 2018 and it is subject to credit risk exposure. We focus on this area as deriving the expected credit losses of receivables involves management judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.	Our audit procedures in relation to the impairment of trade receivables included: • Obtaining an understanding of: - the Group's control over the customers collection process; - the Group's methodology applied in the credit loss provision calculation; and - how the Group makes the accounting estimates for impairment. • Reviewing the application of the Group's policy for calculating the expected credit loss. • Reviewing the aging of trade receivables and testing the reliability thereof. • Evaluating techniques and methodology applied for the expected credit loss approach against the requirements of MFRS 9. • Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information. • Comparing the assumptions used to estimate the allowance for expected credit losses with available industry data.

There is no key audit matter to be communicated in the audit of the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

Responsibilities of the Directors for the Financial Statements (cont'd)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Independent Auditors' Report (Cont'd)

To The Members Of Luster Industries Bhd.
Company No. 156148-P (Incorporated In Malaysia)

Other Matter

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

Grant Thornton
No. AF: 0042
Chartered Accountants

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

Penang

Date: 19 April 2019

Statements Of Financial Position

As At 31 December 2018

	NOTE	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**54,436,247**	58,428,978	**4,115,602**	4,234,863
Investment in subsidiaries	5	**-**	-	**114,635,917**	112,701,092
Goodwill on consolidation	6	**7,754,047**	8,591,870	**-**	-
Deferred tax assets	7	**4,564,830**	-	**-**	-
Trade receivables	8	**1,982,624**	-	**-**	-
		68,737,748	67,020,848	**118,751,519**	116,935,955
Current assets					
Contract assets	9	**9,141,172**	-	**-**	-
Gross amount due from a customer on contract		**-**	62,867	**-**	-
Inventory properties	10	**19,189,138**	11,606,691	**-**	-
Inventories	11	**17,650,915**	12,852,092	**-**	-
Trade receivables	8	**32,515,374**	41,867,755	**-**	-
Other receivables, deposits and prepayments	12	**35,007,322**	34,104,515	**6,279,295**	6,423,624
Amount due from subsidiaries	13	**-**	-	**29,982,319**	31,247,244
Current tax assets		**1,692,746**	1,398,366	**576,399**	705,005
Fixed deposits with licensed banks	14	**3,827,609**	1,389,377	**-**	-
Cash and bank balances	15	**20,972,550**	17,828,227	**141,543**	137,688
		139,996,826	121,109,890	**36,979,556**	38,513,561
TOTAL ASSETS		**208,734,574**	188,130,738	**155,731,075**	155,449,516
EQUITY AND LIABILITIES					
Share capital	16	**201,529,450**	201,529,450	**201,529,450**	201,529,450
Other reserves	17	**(32,959,214)**	(46,519,286)	**(53,285,747)**	(57,583,672)
		168,570,236	155,010,164	**148,243,703**	143,945,778
Non-controlling interests		**148,214**	932,233	**-**	-
Total equity		**168,718,450**	155,942,397	**148,243,703**	143,945,778
Non-current liabilities					
Borrowings	18	**1,236,898**	1,378,811	**-**	-
Deferred tax liabilities	7	**1,284,389**	1,183,000	**90,000**	-
Trade payables	19	**1,697,788**	-	**-**	-
		4,219,075	2,561,811	**90,000**	-
Current liabilities					
Trade payables	19	**22,429,096**	21,953,643	**-**	-
Other payables and accruals	20	**7,485,339**	6,679,359	**203,955**	120,438
Amount due to subsidiaries	13	**-**	-	**7,193,417**	11,383,300
Borrowings	18	**5,745,695**	774,466	**-**	-
Current tax liabilities		**136,919**	219,062	**-**	-
		35,797,049	29,626,530	**7,397,372**	11,503,738
Total liabilities		**40,016,124**	32,188,341	**7,487,372**	11,503,738
TOTAL EQUITY AND LIABILITIES		**208,734,574**	188,130,738	**155,731,075**	155,449,516

The accompanying notes form an integral part of these financial statements.

Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2018

	NOTE	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Revenue	21	**174,438,067**	141,156,037	**8,260,000**	660,000
Cost of sales		**(144,982,447)**	(118,579,444)	**-**	-
Gross profit		**29,455,620**	22,576,593	**8,260,000**	660,000
Other income		**1,538,858**	945,597	**5,820,346**	351,311
Administrative expenses		**(19,195,556)**	(15,559,356)	**(9,492,650)**	(1,424,844)
Selling and distribution expenses		**(873,508)**	(880,408)	**-**	-
Operating profit/(loss)		**10,925,414**	7,082,426	**4,587,696**	(413,533)
Finance costs		**(225,439)**	(196,763)	**-**	-
Profit/(Loss) before tax	22	**10,699,975**	6,885,663	**4,587,696**	(413,533)
Tax income/(expense)	23	**2,002,554**	(1,794,680)	**(289,771)**	(1,155)
Profit/(Loss) for the financial year		**12,702,529**	5,090,983	**4,297,925**	(414,688)
Total other comprehensive income/(loss), net of tax:					
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operation		**73,524**	(234,605)	**-**	-
Total comprehensive income/(loss) for the financial year		**12,776,053**	4,856,378	**4,297,925**	(414,688)
Profit/(Loss) attributable to:					
Owners of the Company		**12,578,118**	4,935,371	**4,297,925**	(414,688)
Non-controlling interests		**124,411**	155,612	**-**	-
		12,702,529	5,090,983	**4,297,925**	(414,688)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**12,617,086**	4,794,608	**4,297,925**	(414,688)
Non-controlling interests		**158,967**	61,770	**-**	-
		12,776,053	4,856,378	**4,297,925**	(414,688)
Earnings per share attributable to owners of the Company (sen)	24				
- Basic		**0.64**	0.26		
- Diluted		**0.63**	0.25		

The accompanying notes form an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 December 2018

	Attributable to Owners of the Company								
		Non-distributable							
	Share Capital RM	Foreign Currency Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	Capital Reserve RM	Accumulated Losses RM	Total RM	Non-controlling Interests RM	Total Equity RM
2018									
Balance at beginning	**201,529,450**	**721,821**	**22,618,076**	**(22,618,076)**	**8,419,642**	**(55,660,749)**	**155,010,164**	**932,233**	**155,942,397**
Foreign currency translation differences for foreign operations	**-**	**38,968**	**-**	**-**	**-**	**-**	**38,968**	**34,556**	**73,524**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**12,578,118**	**12,578,118**	**124,411**	**12,702,529**
Total comprehensive income for the financial year	**-**	**38,968**	**-**	**-**	**-**	**12,578,118**	**12,617,086**	**158,967**	**12,776,053**
Transactions with owners of the Company:									
Acquisition from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**942,986**	**942,986**	**(942,986)**	**-**
Balance at end	**201,529,450**	**760,789**	**22,618,076**	**(22,618,076)**	**8,419,642**	**(42,139,645)**	**168,570,236**	**148,214**	**168,718,450**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement Of Changes In Equity (Cont'd)

For The Financial Year Ended 31 December 2018

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

The accompanying notes form an integral part of these financial statements.

Statement Of Changes In Equity

For The Financial Year Ended 31 December 2018

	Attributable to Owners of the Company							
		Non-distributable						
	Share Capital RM	**ICULS RM**	**Share Premium RM**	**Warrants Reserve RM**	**Discount on Shares RM**	**ESOS Reserve RM**	**Accumulated Losses RM**	**Total Equity RM**
2018								
Balance at beginning	**201,529,450**	**-**	**-**	**22,618,076**	**(22,618,076)**	**-**	**(57,583,672)**	**143,945,778**
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**4,297,925**	**4,297,925**
Balance at end	**201,529,450**	**-**	**-**	**22,618,076**	**(22,618,076)**	**-**	**(53,285,747)**	**148,243,703**
2017								
Balance at beginning	173,190,891	473,460	951,186	22,618,076	(22,618,076)	1,589,667	(57,233,311)	118,971,893
Total comprehensive loss for the financial year	-	-	-	-	-	-	(414,688)	(414,688)
Transactions with owners of the Company:								
Issuance of shares pursuant to:								
- Conversion of ICULS	473,460	(473,460)	-	-	-	-	-	-
- Private placements	18,851,598	-	-	-	-	-	-	18,851,598
- Exercise of ESOS	8,062,315	-	-	-	-	(1,525,340)	-	6,536,975
- Expiry of ESOS	-	-	-	-	-	(64,327)	64,327	-
Total transactions with owners	27,387,373	(473,460)	-	-	-	(1,589,667)	64,327	25,388,573
Transfer of share premium pursuant to no-par value regime of the Companies Act 2016	951,186	-	(951,186)	-	-	-	-	-
Balance at end	201,529,450	-	-	22,618,076	(22,618,076)	-	(57,583,672)	143,945,778

The accompanying notes form an integral part of these financial statements.

Statements Of Cash Flows

For The Financial Year Ended 31 December 2018

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	**10,699,975**	6,885,663	**4,587,696**	(413,533)
Adjustments for:				
Allowance for expected credit losses	**-**	-	**4,086,615**	-
Bad debts	**-**	-	**-**	12,783
Depreciation	**5,105,939**	5,041,277	**119,260**	118,179
Gain on disposal of property, plant and equipment	**(960,116)**	(36,197)	**-**	(2,099)
Gain on disposal of non-current assets held-for-sale	**-**	(301,056)	**-**	(301,056)
Impairment loss on goodwill on consolidation	**837,823**	-	**-**	-
Impairment loss on investment in a subsidiary	**-**	-	**3,882,245**	-
Interest expense	**225,439**	196,763	**-**	-
Interest income	**(104,811)**	(509,827)	**(1,036)**	(47,123)
Inventories written-down	**408,242**	-	**-**	-
Loss on disposal of a subsidiary	**-**	755	**-**	-
Property, plant and equipment written off	**1**	7,207	**1**	-
Reversal of impairment loss on investment in subsidiaries	**-**	-	**(5,817,070)**	-
Unrealised (gain)/loss on foreign exchange	**(164,467)**	270,201	**(2,240)**	28,700
Operating profit/(loss) before working capital changes	**16,048,025**	11,554,786	**6,855,471**	(604,149)
Changes in:				
Contract assets	**(9,141,172)**	-	**-**	-
Gross amount due from a customer on contract	**62,867**	(62,867)	**-**	-
Inventory properties	**(7,582,447)**	(1,711,503)	**-**	-
Inventories	**(5,207,065)**	(302,568)	**-**	-
Receivables	**6,574,830**	(38,829,492)	**144,329**	164,960
Payables	**2,968,627**	7,386,092	**83,517**	(543,538)
Cash from/(used in) operations	**3,723,665**	(21,965,552)	**7,083,317**	(982,727)
Income tax paid	**(2,957,410)**	(2,404,081)	**(191,165)**	(447,912)
Income tax refunded	**-**	145,843	**-**	-
Real property gain tax refunded	**120,000**	-	**120,000**	-
Interest paid	**(225,439)**	(196,763)	**-**	-
Net cash from/(used in) operating activities	**660,816**	(24,420,553)	**7,012,152**	(1,430,639)

The accompanying notes form an integral part of these financial statements.

Statements Of Cash Flows (Cont'd)

For The Financial Year Ended 31 December 2018

	NOTE	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
Net cash from/(used in) operating activities		**660,816**	(24,420,553)	**7,012,152**	(1,430,639)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows from disposal of a subsidiary	A	**-**	1	**-**	-
Interest received		**104,811**	501,773	**1,036**	47,123
Investment in a subsidiary		**-**	-	**-**	(750,000)
Proceeds from disposal of non-current assets held-for-sale		**-**	2,311,321	**-**	2,311,321
Proceeds from disposal of property, plant and equipment		**2,492,875**	36,430	**-**	2,100
(Placement)/Withdrawal of fixed deposits		**(687,988)**	2,773,238	**-**	-
Subsequent costs incurred for non-current assets held for sale		**-**	(200,000)	**-**	(200,000)
Purchase of property, plant and equipment	B	**(2,109,163)**	(2,380,622)	**-**	(170,830)
Net cash (used in)/from investing activities		**(199,465)**	3,042,141	**1,036**	1,239,714
CASH FLOWS FROM FINANCING ACTIVITIES					
Net changes in bankers' acceptance	C	**1,500,000**	(2,000,000)	**-**	-
Net changes in revolving credit	C	**1,500,000**	-	**-**	-
Drawdown of finance lease liabilities	C	**-**	302,914	**-**	-
Repayment of finance lease liabilities	C	**(801,120)**	(1,274,048)	**-**	-
Drawdown of term loan	C	**294,712**	-	**-**	-
Net change in subsidiaries' balances		**-**	-	**(7,009,333)**	(26,791,481)
Proceeds from private placements		**-**	18,851,598	**-**	18,851,598
Proceeds from exercise of ESOS		**-**	6,536,975	**-**	6,536,975
Net cash from/(used in) financing activities		**2,493,592**	22,417,439	**(7,009,333)**	(1,402,908)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,954,943**	1,039,027	**3,855**	(1,593,833)
Effects of foreign exchange rates changes		**134,900**	(105,611)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING		**17,853,859**	16,920,443	**137,688**	1,731,521
CASH AND CASH EQUIVALENTS AT END		**20,943,702**	17,853,859	**141,543**	137,688
Represented by:					
Fixed deposits with licensed banks		**3,827,609**	1,389,377	**-**	-
Cash and bank balances		**20,972,550**	17,828,227	**141,543**	137,688
Bank overdraft		**(1,804,724)**	-	**-**	-
Less: Fixed deposits pledged to licensed banks		**(1,927,609)**	(1,242,985)	**-**	-
Fixed deposits more than 3 months		**(124,124)**	(120,760)	**-**	-
		20,943,702	17,853,859	**141,543**	137,688

The accompanying notes form an integral part of these financial statements.

Statements Of Cash Flows (Cont'd)

For The Financial Year Ended 31 December 2018

	NOTE	GROUP 2018 RM	GROUP 2017 RM	COMPANY 2018 RM	COMPANY 2017 RM
A. Cash flows from disposal of a subsidiary					
Payables		-	(1,100)	-	-
Non-controlling interest		-	1,856	-	-
Share of net assets disposed		-	756	-	-
Loss on disposal		-	(755)	-	-
Cash flows from disposal of a subsidiary		-	1	-	-
B. Purchase of property, plant and equipment					
Total acquisition costs		**2,640,163**	2,886,792	-	170,830
Acquisition under finance lease liabilities	C	**(531,000)**	(506,170)	-	-
Total cash acquisition		**2,109,163**	2,380,622	-	170,830

C. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities is as follows:

GROUP

	At 1.1.18 RM	Cash flows RM	At 31.12.18 RM
Borrowings excluding bank overdraft, representing total liabilities from financing activities	**2,153,277**	**2,493,592**	**4,646,869**

	At 1.1.17 RM	Cash flows RM	At 31.12.17 RM
Borrowings excluding bank overdraft, representing total liabilities from financing activities	**4,618,241**	(2,464,964)	2,153,277

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia and 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 19 April 2019.

Principal Activities

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

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.

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

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

2. **BASIS OF PREPARATION (CONT'D)**

2.2 **Basis of Measurement (cont'd)**

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 **Functional and Presentation Currency**

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

2.4 **Adoption of New Standards/Amendments/Improvements to MFRS**

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

Effective for annual periods beginning on or after 1 January 2018
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 2 Share-Based Payments: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)
IC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces *MFRS 139 Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. There is no material differences arising from the adoption of MFRS 9.

Classification and measurement
The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group. The Group continues to measure at fair value all financial assets previously held at fair value under MFRS 139. Trade receivables classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost beginning 1 January 2018. Short terms funds with licensed financial institutions classified as loan and receivables as at 31 December 2017 are classified and measured as financial assets at fair value through profit or loss beginning 1 January 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

2. **BASIS OF PREPARATION (CONT'D)**

2.4 **Adoption of New Standards/Amendments/Improvements to MFRS (cont'd)**

MFRS 9 Financial Instruments (cont'd)

Impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The Group applies simplified approach to recognise lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporates forward looking information. Given that (i) the customers of the Group are mainly well established and financially sound companies with no history of default in prior years, the management considers the historical default rate of the financial assets to be minimal; and (ii) the customers of the Group operate in the geographical regions where no adverse change in the business environment is anticipated, the management considers that the forward looking default rate to be minimal across all ageing bands. As a result, no allowance for expected credit losses of trade receivables is made as the impact is insignificant.

For other financial assets measured at amortised cost, the Group applies general approach to recognise 12-month ECL as there is no significant increase in credit risk since initial recognition. After considering the factors as disclosed in Note 3.8 (iii) to the financial statements, the management is of the opinion that ECL rate applied for other financial assets measured at amortised cost is insignificant as the risk of default is low.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The adoption of MFRS 15 did not result in any changes to the revenue recognition criteria of the Company.

2.5 **Standards Issued But Not Yet Effective**

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

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases
Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015-2017 Cycle
IC Interpretation 23 Uncertainty over Income Tax Treatments

2. **BASIS OF PREPARATION (CONT'D)**

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

Effective for annual periods beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards

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

Effective date yet to be confirmed
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces *MFRS 117 Leases, IC Interpretation 4* Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. *IFRS 16* sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MRFS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt MFRS 16 on the required effective date using the modified retrospective approach.

2.6 **Significant Accounting Estimates and Judgements**

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

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

2.6.1 **Judgements made in applying accounting policies**

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

2. **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) **Impairment of goodwill**

The Group determines for impairment indication of goodwill at least once on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the 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. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 6 to the financial statements.

(ii) **Inventories**

The management reviews for damage, 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.

The carrying amount of the Group’s inventories at the end of the reporting period is disclosed in Note 11 to the financial statements.

(iii) **Deferred tax assets**

Deferred tax assets are recognised for all unabsorbed capital allowances and reinvestment allowance and unused tax losses (“tax credits”) to the extent that it is probable that future taxable profit will be available against which those tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits would depend on the achievability of projected profits and this requires judgement of the management. These assumptions and judgement are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact on the amount of deferred tax assets recognised.

During the year, a subsidiary of the Group has recognised deferred tax assets as at the end of the reporting period as management considered that it is probable that future taxable profits will be available against which the tax credits can be utilised. The carrying amount of deferred tax assets of the Group as at the end of the reporting period is disclosed in Note 7 to the financial statements.

(iv) **Impairment in investment in subsidiaries**

Investment in subsidiaries is tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgment is required to determine if any such indication exists, based on the evaluation of both internal and external sources of information. If any such indication exists, management assesses the recoverable amount of the investment in subsidiaries based on the fair value less cost to sell which approximates the extent of the net assets held by the subsidiaries at the end of the reporting period. If the recoverable amount of the investment in a subsidiary is less than its carrying amount, an impairment loss is recognised in profit or loss to reduce the carrying amount of the investment in its recoverable amount. For the financial year ended 31 December 2018, an impairment loss of **RM3,882,245** (2017: RM Nil) was recognised in profit or loss to write down a subsidiary to its recoverable amounts.

2. **BASIS OF PREPARATION (CONT'D)**

2.6 **Significant Accounting Estimates and Judgements (cont'd)**

2.6.2 **Key sources of estimation uncertainty (cont'd)**

(iv) **Impairment in investment in subsidiaries (cont'd)**

An assessment is also made at each end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. For the financial year ended 31 December 2018, a reversal of impairment loss in relation to certain subsidiaries which amounted to **RM5,817,070** (2017: RM Nil) was recognised in profit or loss.

(v) **Provision for expected credit losses ("ECL") of trade receivables**

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed in Note 28.3.1 to the financial statements.

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 at cost less any impairment losses in the Company's financial statements, unless the investment is held for sale or distribution.

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

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

3.1 **Basis of Consolidation (cont'd)**

(ii) **Basis of consolidation**

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.14 to the financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(iii) **Business combination**

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

The Group measures the cost of goodwill at the acquisition date as:

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

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

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

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

(iv) **Acquisitions of non-controlling interests**

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

(v) Loss of control

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

(vi) Non-controlling interests

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

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

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 any accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

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

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

3.3 **Property, Plant and Equipment (cont'd)**

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the disposed assets and are recognised in profit or loss in the financial year in which the assets are derecognised.

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 of the lease. The arrangement is, or contains, a lease if 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 leases

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in 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 its useful life. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Operating leases

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

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

3.5 **Impairment of Non-Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In computing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3.6 Inventory properties

Property development costs

Property development costs are stated at the lower of cost and net realisable value. The cost of land, related development costs common to whole projects and direct building costs less cumulative amounts recognised as expense in the profit or loss for property under development are carried in the statements of financial position as property development costs. The property development cost is subsequently recognised as an expense in profit or loss as and when the control of the inventory is transferred to the customer.

Property development cost of unsold unit is transferred to completed development unit once the development is completed.

3.7 Financial Instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

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

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

(ii) **Classification and subsequent measurement of financial assets**

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial assets, other than those designated as hedging instruments, are classified into the following categories:
- amortised cost
- fair value through profit or loss (“FVTPL”)
- fair value through other comprehensive income (“FVOCI”)

However, in the current financial year, the Group does not have any financial assets categorised as FVOCI.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group’s and the Company’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments under MFRS 9.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than ‘hold to collect’ or ‘hold to collect and sell’ are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Previous financial year

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.

Notes To The Financial Statements (Cont'd)

31 December 2018

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

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

(iii) **Impairment of financial assets**

Current financial year

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of the new requirements included loans, trade and other receivables and other debt-type financial assets measured at amortised cost and at FVOCI.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

Stage 1
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;

Stage 2
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low; and

Stage 3
- financial assets that have objective evidence of impairment at the reporting date.

A '12-month expected credit losses' are recognised for the Stage 1 category while 'lifetime expected credit losses' are recognised for the Stage 2 category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Previous financial year

Financial assets

All financial assets (except for investments in subsidiaries and joint venture) 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. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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

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

(iii) **Impairment of financial assets (cont'd)**

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.

(iv) **Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under *MFRS 9* compared to *MFRS 139*, the Group's financial liabilities were not impacted by the adoption of *MFRS 9*.

The Group's financial liabilities include loans and borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(v) **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.

(vi) **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.

3.8 **Inventories**

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

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

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

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

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

3.9 **Cash and Cash Equivalents**

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

3.10 **Provisions**

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

3.11 **Borrowing Costs**

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

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

3.12 **Revenue**

The Group is in the business of:
(a) manufacturing of precision plastic parts, sub-assembly, die-casting components and precision engineering works;
(b) property construction and property development; and
(c) gaming and leisure

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

(i) **Sale of goods**

Revenue from sale of goods or services is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

(ii) **Construction contract revenue**

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

(iii) **Lottery betting**

Revenue from lottery betting is recognised at a point in time when the lottery ticket is sold to the customers.

(iv) **Mould modification income**

Revenue from mould modification is recognised at a point in time when control of the mould is transferred to the customer, generally on delivery of the mould.

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

3.12 **Revenue (cont'd)**

(v) **Management fee**

Management fee is recognised when services are rendered.

(vi) **Rental income**

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

(vii) **Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(viii) **Dividend income**

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

(ix) **Contract balances**

Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration for goods or services transferred to the customer. In the case of property development and construction contracts, a contract asset is the excess of cumulative revenue earned over the billings to-date.

A contract asset is subject to impairment in accordance to MFRS 9. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset’s carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Previous financial year

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

(i) **Sale of goods**

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

(ii) **Lottery betting**

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

(iii) **Construction contract revenue**

Revenue from construction contracts is accounted for by the stage of completion method.

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

3.12 **Revenue (cont'd)**

(ix) **Contract balances (cont'd)**

(iv) **Mould modification income**

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

(v) **Management fee**

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

(vi) **Rental income**

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

(vii) **Interest income**

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

3.13 **Employee Benefits**

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company. 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.

3.14 **Income Tax**

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences in respect of the initial recognition of goodwill and/or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

3.14 **Income Tax (cont'd)**

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

3.15 **Goods and Services Tax (“GST”) and Sales and Services Tax (“SST”)**

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

- where the GST or SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST or SST 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 or SST inclusive.

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

The Malaysian Government has zero rated the GST effective from 1 June 2018. The GST has been replaced with SST which came into effect on 1 September 2018. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

3.16 **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.

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.

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

3.16 **Foreign Currency Translations (cont'd)**

Foreign operations (cont'd)

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

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

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

3.17 **Irredeemable Convertible Unsecured Loan Stocks (“ICULS”)**

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

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

3.18 **Warrants**

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

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

3.19 **Operating segments**

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 results are reviewed regularly by the chief operating decision maker, which in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.20 **Share Capital, Share Issuance Costs and Dividends**

Classification

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

Share issuance costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Share Capital, Share Issuance Costs and Dividends (cont'd)

Dividends

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

3.21 Contingencies

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

3.22 Related Parties

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

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

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

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

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

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4. PROPERTY, PLANT AND EQUIPMENT

	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
GROUP										
2018										
At cost										
Balance at beginning	1,704,146	5,098,453	43,565,450	77,962,051	7,470,930	3,087,646	3,634,522	232,988	1,273,556	144,029,742
Additions	-	653,406	153,980	754,865	766,349	170,094	-	141,469	-	2,640,163
Disposals	-	(330,000)	(1,270,000)	(432,234)	(5,334)	-	(671,249)	-	-	(2,708,817)
Written off	-	-	-	-	-	-	(35,200)	-	-	(35,200)
Foreign currency translation	-	-	-	-	10,365	-	-	4,730	-	15,095
Balance at end	1,704,146	5,421,859	42,449,430	78,284,682	8,242,310	3,257,740	2,928,073	379,187	1,273,556	143,940,983
Accumulated depreciation										
Balance at beginning	-	1,130,575	7,484,787	49,729,417	5,970,109	2,235,591	2,903,533	90,650	-	69,544,662
Current charge	-	88,028	810,044	3,369,353	405,632	283,353	107,599	41,930	-	5,105,939
Disposals	-	(32,342)	(218,686)	(190,236)	(1,360)	-	(642,841)	-	-	(1,085,465)
Written off	-	-	-	-	-	-	(35,199)	-	-	(35,199)
Foreign currency translation	-	-	-	-	8,390	-	-	900	-	9,290
Balance at end	-	1,186,261	8,076,145	52,908,534	6,382,771	2,518,944	2,333,092	133,480	-	73,539,227
Accumulated impairment loss										
Balance at beginning	-	-	2,818,435	12,009,158	-	268,953	-	-	959,556	16,056,102
Disposals	-	-	-	(90,593)	-	-	-	-	-	(90,593)
Balance at end	-	-	2,818,435	11,918,565	-	268,953	-	-	959,556	15,965,509
Carrying amount	1,704,146	4,235,598	31,554,850	13,457,583	1,859,539	469,843	594,981	245,707	314,000	54,436,247

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

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

Notes To The Financial Statements (Cont'd)

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

COMPANY

	Leasehold land RM	Buildings RM	Electrical installation RM	Motor vehicles RM	Total RM
2018					
At cost					
Balance at beginning	**800,000**	**5,296,357**	**422,728**	**117,276**	**6,636,361**
Written off	**-**	**-**	**-**	**(35,200)**	**(35,200)**
Balance at end	**800,000**	**5,296,357**	**422,728**	**82,076**	**6,601,161**
Accumulated depreciation					
Balance at beginning	**245,631**	**1,615,884**	**417,800**	**117,273**	**2,396,588**
Current charge	**13,333**	**105,927**	**-**	**-**	**119,260**
Written off	**-**	**-**	**-**	**(35,199)**	**(35,199)**
Balance at end	**258,964**	**1,721,811**	**417,800**	**82,074**	**2,480,649**
Accumulated impairment loss					
Balance at beginning/end	**-**	**-**	**4,910**	**-**	**4,910**
Carrying amount	**541,036**	**3,574,546**	**18**	**2**	**4,115,602**
2017					
At cost					
Balance at beginning	800,000	5,125,527	422,728	154,771	6,503,026
Additions	-	170,830	-	-	170,830
Disposal	-	-	-	(37,495)	(37,495)
Balance at end	800,000	5,296,357	422,728	117,276	6,636,361
Accumulated depreciation					
Balance at beginning	232,298	1,511,038	417,800	154,767	2,315,903
Current charge	13,333	104,846	-	-	118,179
Disposal	-	-	-	(37,494)	(37,494)
Balance at end	245,631	1,615,884	417,800	117,273	2,396,588
Accumulated impairment loss					
Balance at beginning/end	-	-	4,910	-	4,910
Carrying amount	554,369	3,680,473	18	3	4,234,863

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

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

	GROUP	
	2018	2017
	RM	RM
Leasehold land	**2,568,437**	1,963,851
Buildings	**9,018,122**	11,074,293
	11,586,559	13,038,144

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

	GROUP	
	2018	2017
	RM	RM
Plant and machinery	**2,449,610**	2,109,351
Office equipment	**-**	78,601
Motor vehicles	**514,726**	636,838
	2,964,336	2,824,790

5. **INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2018	2017
	RM	RM
Unquoted shares, at cost	**189,333,116**	189,333,116
Less: Allowance for impairment		
Balance at beginning	**(76,632,024)**	(76,632,024)
Current year	**(3,882,245)**	-
Reversal	**5,817,070**	-
Balance at end	**(74,697,199)**	(76,632,024)
	114,635,917	112,701,092

Notes To The Financial Statements (Cont'd)

31 December 2018

5. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

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

Name of entities	Effective equity interest 2018 %	2017 %	Principal activities
Direct			
Exzone Precision Engineering Sdn. Bhd.	**100**	100	Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products.
Luster Plastic Industries Sdn. Bhd.	**100**	100	Dormant.
Luster Manufacturing Sdn. Bhd.	**100**	100	Investment holding.
Luster Chi Wo Sdn. Bhd.	**51**	51	Dormant.
Winco Precision Engineering (Melaka) Sdn. Bhd.	**100**	100	Precision engineering work and manufacturing of die-casting components.
Winco Precision Technologies Sdn. Bhd.	**80**	80	Dormant.
Exzone Plastics Manufacturers Sdn. Bhd.	**100**	100	Manufacturing of plastic injection moulded parts, sub-assembly of plastic parts and provision of its related services.
Luster Construction Sdn. Bhd.	**100**	100	Construction of properties.
* Pan Cambodian Lottery Corporation Limited ("PCL") (Incorporated in Cambodia)	**95**	60	Lottery operator in Cambodia.
Indirect - held through Luster Plastic Industries Sdn. Bhd.			
Linpower Resources Sdn. Bhd.	**100**	100	Dormant.
Indirect - held through Exzone Plastics Manufacturers Sdn. Bhd.			
Imetron (M) Sdn. Bhd.	**100**	100	Property letting.
Indirect - held through Winco Precision Engineering (Melaka) Sdn. Bhd.			
Winco Precision Technologies Sdn. Bhd.	**20**	20	Dormant.
Pembinaan LSP Jaya Sdn. Bhd.	**100**	100	Property construction and development.
Indirect - held through Luster Manufacturing Sdn. Bhd.			
Luster Venture Sdn. Bhd.	**100**	100	Property construction.
Luster Hijauan Home Sdn. Bhd.	**100**	100	Property development and real estate activities.

* Not audited by Grant Thornton.

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

5.1 Acquisition of non-controlling interest

2018

On 22 October 2018, the Company had acquired a 35% equity interest in PCL at a nominal consideration of USD1 by way of accepting the transfer of shares from Opal Deluxe Limited ("Opal") as satisfaction of the profit shortfall pursuant to PCL's failure to achieve the profit guarantee as stipulated in the First Supplemental Agreement to the Sale of Shares Agreement dated 4 September 2015 signed between the Company and Opal.

5.2 Impairment on investment in a subsidiary

During the financial year, the management performed an impairment test for the investment in Exzone Precision Engineering Sdn. Bhd. ("EPE"). The management has assessed and written down EPE investment to its recoverable amount based on its fair value less cost to sell, which approximates the net assets held by EPE at the end of the reporting period and accordingly, an impairment loss of **RM3,882,245** (2017: RM Nil) was recognised during the financial year. In addition, a reversal of impairment loss amounting to **RM5,817,070** (2017: RM Nil) in respect of investment in Luster Manufacturing Sdn. Bhd. ("LM") and PCL was made to the extent of the net assets held by two subsidiaries.

5.3 Incorporation of new subsidiaries

2017

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

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

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

5.4 Disposal of a subsidiary

2017

On 20 December 2017, EPE disposed of its entire equity interest in Luster Seweon Sdn. Bhd. for a cash consideration of RM1.

The effect of disposal on the financial position of the Group is disclosed in the statements of cash flows under footnote (A).

5.5 Subsidiary with material non-controlling interests - PCL

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

	2018 RM	2017 RM
NCI percentage of ownership interest and voting interest	**5%**	40%
Carrying amount of NCI	**149,880**	930,427
Profit allocated to NCI	**127,655**	153,772

5. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

5.5 **Subsidiary with material non-controlling interests - PCL (cont'd)**

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

	2018	2017
	RM	RM
Non-current assets	**229,551**	158,523
Current assets	**3,624,043**	3,157,391
Non-current liabilities	**(291,025)**	-
Current liabilities	**(564,961)**	(763,756)
Net assets	**2,997,608**	2,552,158
Revenue	**5,244,314**	3,825,529
Net profit, representing total comprehensive income for the financial year	**371,926**	610,527
Net cash generated from/(used in):		
Operating activities	**455,621**	981,792
Investing activities	**(193,033)**	(56,501)
Financing activities	**6,965**	-
Net change in cash and cash equivalents	**269,553**	925,291

6. **GOODWILL ON CONSOLIDATION**

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

	GROUP	
	2018	2017
	RM	RM
At cost:		
Manufacturing	**8,591,870**	8,591,870
Less: Allowance for impairment	**(837,823)**	-
	7,754,047	8,591,870

The goodwill arising from the business acquisition has been allocated to the Group's manufacturing segment as the cash-generating unit ("CGU").

For annual impairment testing purposes, the recoverable amount of the CGU are determined based on their value-in-use, which apply a discounted cash flow model using cash flow projections based on approved financial budget and projections covering a five (5)-year period.

Key assumptions used in value-in-use calculations

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

(i) Cash flow projections and growth rate

The 5-year cash flow projections are prepared based on management's past experience. The revenue for the first year of the 5-year cash flow projections is prepared based on the most recent approved financial budget by the Board of Directors. Thereafter, a **2.8%** (2017: 5.0%) annual growth rate is applied to the remaining years of the cash flow projections. A terminal value is assigned at the end of the 5-year cash flow projections period based on an assumed growth rate of **2.8%** (2017: 5.0%) in perpetuity.

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

Key assumptions used in value-in-use calculations (cont'd)

(ii) Discount rate

Pre-tax discount rate at **9.90%** (2017: 14.60%) 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 financial year.

Impairment loss recognised

Following management's assessment, the CGU within the manufacturing segment was carried in excess of its value in use. Therefore, impairment is recognised amounting to **RM837,823** (2017: RM Nil) during the financial year. The impairment charge was recorded in the profit or loss.

Sensitivity to changes in key assumptions

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

7. **DEFERRED TAX ASSETS/(LIABILITIES)**

	GROUP		**COMPANY**	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Balance at beginning	**(1,183,000)**	(1,367,000)	**-**	-
Recognised in profit or loss	**4,391,441**	(13,000)	**(90,000)**	-
	3,208,441	(1,380,000)	**(90,000)**	-
Over provision in prior year	**72,000**	197,000	**-**	-
	3,280,441	(1,183,000)	**(90,000)**	-

The recognised deferred tax assets/(liabilities), after appropriate offsetting, are as follows:

	GROUP		**COMPANY**	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Deferred tax assets	**4,564,830**	-	**-**	-
Deferred tax liabilities	**(1,284,389)**	(1,183,000)	**(90,000)**	-
	3,280,441	(1,183,000)	**(90,000)**	-

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7. **DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

The deferred tax assets/(liabilities) at the end of the reporting period are made up of the temporary difference arising from:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Property, plant and equipment	**(2,377,996)**	(1,183,000)	**(90,000)**	-
Unused tax losses	**2,593,174**	-	**-**	-
Unabsorbed capital allowances	**2,016,877**	-	**-**	-
Unabsorbed reinvestment allowances	**1,139,204**	-	**-**	-
Provisions	**71,138**	-	**-**	-
Others	**(161,956)**	-	**-**	-
	3,280,441	(1,183,000)	**(90,000)**	-

The following deferred tax assets have not been recognised as at the end of the reporting period as it is not probable that future taxable profit will be available against which they may be utilised:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Property, plant and equipment	**-**	10,833	**-**	-
Unused tax losses	**(12,003,380)**	(11,987,956)	**-**	-
Unabsorbed capital allowances	**(1,203,183)**	(1,203,183)	**-**	-
Unabsorbed reinvestment allowance	**(10,646,228)**	(10,646,228)	**-**	-
Unabsorbed prospecting allowance	**(527,607)**	(527,607)	**-**	-
	(24,380,398)	(24,354,141)	**-**	-

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

	GROUP	
	2018	2017
	RM	RM
Unused tax losses	**22,808,270**	22,792,846
Unabsorbed capital allowances	**9,606,838**	15,657,175
Unabsorbed reinvestment allowance	**15,392,910**	15,392,910
Unabsorbed prospecting allowance	**527,607**	527,607

The unused tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment (unused tax losses accumulated up to year of assessment 2018 can be carried forward until year of assessment 2025) and the unabsorbed capital allowances can be carried forward indefinitely pursuant to the gazetted Finance Act 2018.

8. TRADE RECEIVABLES

	GROUP	
	2018	2017
	RM	RM
Non-current asset		
Retention sum receivables	**1,982,624**	-
Current assets		
Trade receivables	**30,160,331**	43,658,832
Less: Allowance for expected credit losses	**(123,556)**	(1,791,077)
	30,036,775	41,867,755
Retention sum receivables	**2,478,599**	-
	32,515,374	41,867,755
Total trade receivables	**34,497,998**	-

The normal credit terms granted to trade receivables range from **30 to 75 days** (2017: 30 to 75 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in the Group's trade receivables is an amount of **RM34,766** (2017: RM129,568) due from a company in which persons connected to the directors of certain subsidiaries have substantial financial interests.

The movement of the allowance for expected credit losses is as follows:

	GROUP	
	2018	2017*
	RM	RM
Balance at beginning	**(1,791,077)**	(1,791,077)
Recovered	**20,197**	-
Written off	**1,647,324**	-
Balance at end	**(123,556)**	(1,791,077)

* Loss allowance disclosed in the comparative period is based on MFRS 139's incurred loss model.

The currency profile of trade receivables is as follows:

	GROUP	
	2018	2017
	RM	RM
Ringgit Malaysia	**26,387,161**	35,871,701
United States Dollar	**7,638,681**	5,210,997
Singapore Dollar	**454,412**	784,004
Cambodian Riel	**17,744**	1,053
	34,497,998	41,867,755

8. **TRADE RECEIVABLES (CONT'D)**

Offsetting of financial assets and financial liabilities

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

	Gross amount RM	Balance that is set off RM	Net carrying amount RM
2018			
Trade receivables	**35,512,797**	**(1,014,799)**	**34,497,998**
Trade payables	**(25,141,683)**	**1,014,799**	**(24,126,884)**
2017			
Trade receivables	42,945,062	(1,077,307)	41,867,755
Trade payables	(23,030,950)	1,077,307	(21,953,643)

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

9. **CONTRACT ASSETS**

Contract assets

GROUP	Construction contracts 2018 RM
Balance at beginning	**62,867**
Revenue recognised during the year	**43,973,907**
Progress billings during the year	**(34,895,603)**
Balance at end	**9,141,171**

Contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the end of the reporting period.

Included in construction contract costs incurred during the financial year is staff costs of **RM72,000** (2017: RM Nil).

9.1 **Gross Amount Due From A Customer on Contract**

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

Included in construction contract costs incurred during the financial year is staff costs of **RM Nil** (2017: RM38,806).

10. INVENTORY PROPERTIES

	GROUP	
	2018	2017
	RM	RM
Property development costs		
At cost:		
Balance at beginning	**11,606,691**	9,895,188
Development costs incurred during the financial year	**7,582,447**	1,711,503
Balance at end	**19,189,138**	11,606,691

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

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

11. INVENTORIES

	GROUP	
	2018	2017
	RM	RM
Raw materials	**5,892,079**	5,511,382
Work-in-progress	**3,231,350**	2,757,963
Finished goods	**8,259,401**	4,312,775
Consumables	**268,085**	269,972
	17,650,915	12,852,092
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**144,574,205**	118,579,444
Inventories written-down	**408,242**	-

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12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Note	**RM**	RM	**RM**	RM
Other receivables	**12.1**	**5,314,225**	5,705,669	**136,821**	275,010
Less: Allowance for expected credit losses		**(252,449)**	(252,449)	**-**	-
		5,061,776	5,453,220	**136,821**	275,010
Stakeholder sum	**12.2**	**6,000,000**	6,000,000	**6,000,000**	6,000,000
Deposits	**12.3**	**17,067,759**	10,982,498	**56,050**	61,050
Less: Allowance for expected credit losses		**(4,155,935)**	*(4,155,935)	**-**	-
		12,911,824	6,826,563	**56,050**	61,050
Prepayments		**9,584,192**	15,541,092	**79,692**	87,564
GST claimable		**1,449,530**	283,640	**6,732**	-
		35,007,322	34,104,515	**6,279,295**	6,423,624

There was no movement in the allowance for expected credit losses during the financial year.

* Loss allowance disclosed in the comparative period is based on MFRS 139's incurred loss model.

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Ringgit Malaysia	**32,284,854**	31,785,622	**6,279,295**	6,423,624
United States Dollar	**2,482,886**	2,167,349	**-**	-
Cambodian Riel	**201,481**	139,960	**-**	-
Singapore Dollar	**38,101**	-	**-**	-
Australian Dollar	**-**	11,584	**-**	-
	35,007,322	34,104,515	**6,279,295**	6,423,624

12.1 Other receivables

Included herein is an amount of **RM4,599,706** (2017: RM4,500,000) being advance extended to Cosmo Property Management Sdn. Bhd. pursuant to the agreement as disclosed in Note 31.1 to the financial statements.

12.2 Stakeholder sum

The stakeholder sum was paid to a legal firm and is in relation to the material litigation as disclosed in Note 30 to the financial statements.

12.3 Deposits

Included in the deposits of the Group are:

(i) An amount of **USD500,000** (2017: USD500,000) being statutory deposit placed with the National Bank of Cambodia upon issuance of the gaming license by the Ministry of Economy and Finance, Cambodia to a subsidiary, Pan Cambodian Lottery Corporation Limited.

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

12.3 Deposits (cont'd)

(ii) An amount of **RM1,200,000** (2017: RM1,200,000) being performance bond paid to KOHAMA which will be refunded upon completion of the development project disclosed in Note 10 to the financial statements.

(iii) Amounts of **RM5,666,445** (2017: RM5,666,445) being performance bond and **RM1,050,000** (2017: RM8,133,751) being project costs for the Awarded Project paid pursuant to the Project Financing, Management and Construction Agreement as disclosed in Note 31.2 to the financial statements.

(iv) An amount of **RM10,000,000** (2017: RM4,000,000) being deposit paid pursuant to the Joint Venture Agreement as disclosed in Note 31.3 to the financial statements.

(v) An amount of **RM2,500,000** (2017: RM2,500,000) paid by a wholly-owned subsidiary, Linpower Resources Sdn. Bhd., pursuant to a joint venture agreement dated 17 June 2014. The subsidiary has impaired the deposit in full.

13. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	COMPANY	
	2018	2017
	RM	RM
Amount due from subsidiaries:		
Total amount	**34,068,934**	31,247,244
Less: Allowance for expected credit losses	**(4,086,615)**	-
	29,982,319	31,247,244
Amount due to subsidiaries:		
Total amount	**7,193,417**	11,383,300

Included in amount due from subsidiaries is an amount of **RM291,200** (2017: RM288,960) which is denominated in United States Dollar.

The amount due from/(to) subsidiaries is non-trade related, unsecured, non-interest bearing and classified based on the expected timing of realisation.

The movement of the allowance for expected credit losses is as follows:

	COMPANY	
	2018	2017*
	RM	RM
Balance at beginning	**-**	1,220,779
Charge for the year	**4,086,615**	9,000
Written off	**-**	(1,229,779)
Balance at end	**4,086,615**	-

14. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Unencumbered	**1,900,000**	146,392	**-**	-
Encumbered	**1,927,609**	1,242,985	**-**	-
	3,827,609	1,389,377	**-**	-

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

Included in the Group's fixed deposits with licensed banks is a fixed deposit of **RM124,124** (2017: RM120,760) placed in the name of a director of the Company, in trust for a subsidiary.

The effective interest rates per annum and maturity of the fixed deposits with licensed banks of the Group as at the end of the reporting period ranged from **2.00% to 3.35%** (2017: 2.00% to 3.10%) and **1 month to 12 months** (2017: 1 month to 12 months) respectively.

15. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Short term funds with licensed financial institutions	**3,014,098**	4,028,723	**-**	-
Cash and bank balances	**17,958,452**	13,799,504	**141,543**	137,688
	20,972,550	17,828,227	**141,543**	137,688

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Ringgit Malaysia	**15,050,792**	12,417,257	**141,543**	137,688
United States Dollar	**2,051,380**	1,185,005	**-**	-
Singapore Dollar	**3,870,378**	3,362,224	**-**	-
Cambodian Riel	**-**	863,741	**-**	-
	20,972,550	17,828,227	**141,543**	137,688

16. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2018	2017	**2018**	2017
			RM	RM
Issued and fully paid				
Balance at beginning	**1,976,035,010**	1,731,908,910	**201,529,450**	173,190,891
Issuance pursuant to:				
- Private placements	**-**	174,385,500	**-**	18,851,598
- Conversion of ICULS	**-**	4,734,600	**-**	473,460
- ESOS exercised	**-**	65,006,000	**-**	6,536,975
- Transfer from ESOS reserve upon ESOS exercised	**-**	-	**-**	1,525,340
- Transfer of share premium pursuant to no-par value regime of the Companies Act 2016	**-**	-	**-**	951,186
Balance at end	**1,976,035,010**	1,976,035,010	**201,529,450**	201,529,450

17. OTHER RESERVES

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Note	**RM**	RM	**RM**	RM
Foreign currency translation reserve	**17.1**	**760,789**	721,821	**-**	-
Warrants reserve	**17.2**	**22,618,076**	22,618,076	**22,618,076**	22,618,076
Discount on shares	**17.2**	**(22,618,076)**	(22,618,076)	**(22,618,076)**	(22,618,076)
Capital reserve	**17.3**	**8,419,642**	8,419,642	**-**	-
		9,180,431	9,141,463	**-**	-
Accumulated losses		**(42,139,645)**	(55,660,749)	**(53,285,747)**	(57,583,672)
		(32,959,214)	(46,519,286)	**(53,285,747)**	(57,583,672)

17.1 Foreign currency translation reserve

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

17.2 Warrants reserve and discount on shares

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

		GROUP AND COMPANY	
		2018	2017
	Note	**RM**	RM
Warrants A expiring 3 June 2022	**(i)**	**12,493,076**	12,493,076
Warrants B expiring 26 May 2023	**(ii)**	**10,125,000**	10,125,000
		22,618,076	22,618,076

17. **OTHER RESERVES (CONT'D)**

17.2 **Warrants reserve and discount on shares (cont'd)**

(i) On 5 June 2012, the Company issued 441,594,505 10-year free detachable warrants 2012/2022 ("Warrants A") pursuant to the Company's restructuring exercise. The Warrants A are constituted by a deed poll dated 23 April 2012. The Warrants A are listed on Bursa Malaysia on 12 June 2012. During the financial year, no Warrants A were exercised. As at 31 December 2018, there was a total of 441,594,505 unexercised Warrants A.

The main features of the Warrants A are as follows:

- Each Warrant A entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.10 per ordinary share.

- The exercise price and the number of Warrants A are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll.

- The Warrants A shall be exercisable at any time within the period commencing on and including the date of issue of the Warrants A until the last market day prior to the tenth anniversary of the date of issue of the Warrants A.

- All new ordinary shares to be issued arising from the exercise of the Warrants A shall rank pari passu in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants A.

- At the expiry of the exercise period, any Warrants A which have not been exercised will lapse and cease to be valid for any purpose.

(ii) On 27 May 2013, the Company issued 216,000,000 10-year free detachable warrants 2013/2023 ("Warrants B") pursuant to the Company's Placement Shares with Warrants exercise. The Warrants B are constituted by a deed poll dated 23 May 2013. The Warrants B are listed on Bursa Malaysia on 30 May 2013. During the financial year, no Warrants B were exercised. As at 31 December 2018, there was a total of 216,000,000 unexercised Warrants B.

The main features of the Warrants B are as follows:

- Each Warrant B entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.10 per ordinary share.

- The exercise price and the number of Warrants B are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll.

- The Warrants B shall be exercisable at any time within the period commencing on and including the date of issue of the Warrants B until the last market day prior to the tenth anniversary of the date of issue of the Warrants B.

- All new ordinary shares to be issued arising from the exercise of the Warrants B shall rank pari passu in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants B.

- At the expiry of the exercise period, any Warrants B which have not been exercised will lapse and cease to be valid for any purpose.

The discount on shares is a reserve account that was created to preserve the par value of the ordinary shares prior to the implementation of the no par regime on 31 January 2017.

17. **OTHER RESERVES (CONT'D)**

17.3 **Capital reserve**

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

18. **BORROWINGS**

	GROUP	
	2018	2017
	RM	RM
Non-current liabilities		
Finance lease liabilities		
Minimum payments:		
Within one year	**996,800**	892,403
More than one year and less than two years	**624,671**	838,273
More than two years and less than five years	**411,549**	633,985
	2,033,020	2,364,661
Future finance charges	**(149,863)**	(211,384)
	1,883,157	2,153,277
Amount due within one year included under current liabilities	**(906,105)**	(774,466)
	977,052	1,378,811
Term loan		
Total amount repayable	**294,712**	-
Amount due within one year included under current liabilities	**(34,866)**	-
	259,846	-
	1,236,898	1,378,811
Current liabilities		
Bank overdraft	**1,804,724**	-
Bankers' acceptance	**1,500,000**	-
Finance lease liabilities	**906,105**	774,466
Revolving credit	**1,500,000**	-
Term loans	**34,866**	-
	5,745,695	774,466
Total borrowings	**6,982,593**	2,153,277

The borrowings are secured by way of:

(i) Legal charge over the leasehold land and buildings of the Company and subsidiary,
(ii) Pledge of fixed deposits with licensed banks,
(iii) Corporate guarantee of the Company, and
(iv) Leased assets disclosed in Note 4 to the financial statements.

Notes To The Financial Statements (Cont'd)
31 December 2018

18. **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	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	(%)	RM	RM	RM	RM	RM
2018						
Bank overdraft	**6.95**	**1,804,724**	**1,804,724**	**-**	**-**	**-**
Bankers' acceptance	**5.21**	**1,500,000**	**1,500,000**	**-**	**-**	**-**
Finance lease liabilities	**1.38 to 4.50**	**1,883,157**	**906,105**	**584,676**	**392,376**	**-**
Revolving credit	**6.05**	**1,500,000**	**1,500,000**	**-**	**-**	**-**
Term loans	**6.95**	**294,712**	**34,866**	**37,368**	**128,977**	**93,501**
2017						
Finance lease liabilities	1.38 to 4.50	2,153,277	774,466	773,257	605,554	-

19. **TRADE PAYABLES**

	GROUP	
	2018	2017
	RM	RM
Non-current liability		
Retention sum payables	**1,697,788**	-
Current liabilities		
Trade payables	**20,225,236**	21,953,643
Retention sum payables	**2,203,860**	-
	22,429,096	21,953,643
Total trade payables	**24,126,884**	21,953,643

The currency profile of trade payables is as follows:

	GROUP	
	2018	2017
	RM	RM
Ringgit Malaysia	**22,672,381**	21,126,389
United States Dollar	**1,453,794**	826,663
Singapore Dollar	**709**	591
	24,126,884	21,953,643

19. **TRADE PAYABLES (CONT'D)**

The trade payables are non-interest bearing and is normally settled within **30 days to 60 days** (2017: 30 days to 60 days) credit terms.

Included herein is an amount of **RM163,060** (2017: RM146,266) due to companies in which persons connected to the directors of certain subsidiaries have substantial financial interests.

20. **OTHER PAYABLES AND ACCRUALS**

	GROUP		**COMPANY**	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Other payables	**2,473,576**	2,610,298	**88,329**	1,884
Accruals	**4,888,389**	2,754,346	**40,626**	39,873
Deposits received	**123,374**	13,777	**75,000**	75,000
Deferred revenue	**-**	1,121,203	**-**	-
GST payable	**-**	179,735	**-**	3,681
	7,485,339	6,679,359	**203,955**	120,438

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

	GROUP		**COMPANY**	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Ringgit Malaysia	**6,947,580**	5,742,393	**203,955**	120,438
United States Dollar	**358,152**	621,780	**-**	-
Singapore Dollar	**-**	108,691	**-**	-
Cambodian Riel	**179,607**	206,495	**-**	-
	7,485,339	6,679,359	**203,955**	120,438

Included in other payables and accruals is an amount of **RM Nil** (2017: RM600) due to a company in which persons connected to a director of a subsidiary have financial interests.

21. **REVENUE**

21.1 **Disaggregated revenue information**

	GROUP		**COMPANY**	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Types of good or service				
Sale of goods	**124,025,360**	111,292,613	**-**	-
Construction contract revenue	**43,973,907**	25,098,644	**-**	-
Sale of lottery tickets	**5,244,314**	3,825,528	**-**	-
Mould modification income	**1,194,486**	939,252	**-**	-
Dividend income	**-**	-	**7,500,000**	-
Rental income	**-**	-	**300,000**	300,000
Management fee	**-**	-	**460,000**	360,000
Total revenue from contracts with customers	**174,438,067**	141,156,037	**8,260,000**	660,000

Notes To The Financial Statements (Cont'd)
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21. REVENUE (CONT'D)

21.1 Disaggregated revenue information (cont'd)

The comparative figures are in accordance to *MFRS 118 Revenue* and therefore the amounts presented are not entirely comparable.

	GROUP 2018 RM
Geographical markets	
Malaysia	**125,125,637**
Singapore	**13,961,573**
United Kingdom	**13,914,074**
United States of America	**6,615,087**
Cambodia	**5,244,314**
Australia	**5,080,970**
Other countries	**4,496,412**
Total revenue from contracts with customer	**174,438,067**

Timing of revenue recognition

	GROUP 2018 RM	COMPANY 2018 RM
Revenue recognised at a point in time	**130,464,160**	**7,800,000**
Revenue recognised over time	**43,973,907**	**460,000**
	174,438,067	**8,260,000**

21.2 Contract balances

	GROUP 2018 RM
Trade receivables (Note 8)	**34,497,998**
Contract assets (Note 9)	**9,141,172**
	43,639,170

21.3 Performance obligations

Group

(i) **Sale of goods**

Revenue from sale of goods is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

(ii) **Sale of lottery tickets**

Revenue from lottery betting is recognised at a point in time when the lottery tickets are sold to customers.

21. **REVENUE (CONT'D)**

21.3 **Performance obligations (cont'd)**

Group (cont'd)

(iii) **Construction contract revenue**

Revenue from construction contracts is recognised over the time using the cost incurred method.

(iv) **Mould modification income**

Revenue from mould modification is recognised at a point in time when control of the mould is transferred to the customer.

Company

Management fee

Management fees is deemed as a single performance obligation (series of distinct services) that is satisfied over time.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) under construction contract revenue to be fulfilled within one year is **RM17,559,584**.

22. **PROFIT/(LOSS) BEFORE TAX**

This is arrived at:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
After charging:				
Allowance for expected credit losses	-	-	**4,086,615**	-
Auditors' remuneration				
- Statutory audit				
- Company's auditors	**140,000**	119,000	**39,000**	36,000
- Other auditors	**18,174**	19,257	**-**	-
- Other services	**3,000**	3,000	**3,000**	3,000
Bad debts	**-**	-	**-**	12,783
Depreciation	**5,105,939**	5,041,277	**119,260**	118,179
Impairment loss on goodwill on consolidation	**837,823**	-	**-**	-
Impairment loss on investment in a subsidiary	**-**	-	**3,882,245**	-
Inventories written-down	**408,242**	-	**-**	-
Interest expense on:				
- Bank overdraft	**12,418**	-	**-**	-
- Bankers' acceptance	**18,670**	23,226	**-**	-
- Finance lease liabilities	**155,524**	173,537	**-**	-
- Revolving credit	**35,073**	**-**	**-**	-
- Term loan	**3,754**	**-**	**-**	-
Loss on disposal of a subsidiary	**-**	755	**-**	-
Property, plant and equipment written off	**1**	7,207	**1**	-

Notes To The Financial Statements (Cont'd)

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

This is arrived at: (cont'd)

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
After charging: (cont'd)				
Realised loss on foreign exchange	**322,386**	1,199,677	**-**	-
Rental of premises	**399,455**	311,888	**-**	-
Rental of equipment	**44,639**	43,200	**-**	-
* Staff costs	**26,490,747**	24,986,159	**282,354**	247,500
Unrealised loss on foreign exchange	**21,252**	270,201	**-**	28,700
And crediting:				
Bad debt recovered	**20,197**	-	**-**	-
Gain on disposal of property, plant and equipment	**960,116**	36,197	**-**	2,099
Gain on disposal of non-current assets held-for-sale	**-**	301,056	**-**	301,056
Interest income	**104,811**	509,827	**1,036**	47,123
Realised gain on foreign exchange	**-**	-	**-**	280
Rental income	**34,060**	20,566	**-**	-
Reversal of impairment loss on investment in subsidiaries	**-**	-	**5,817,070**	-
Unrealised gain on foreign exchange	**185,719**	-	**2,240**	-

* **Staff costs**				
- Wages, salaries, allowances, bonus and incentive	**24,796,913**	23,431,865	**278,000**	247,500
- EIS	**6,945**	-	**8**	-
- EPF	**1,580,311**	1,428,287	**4,200**	-
- SOCSO	**178,578**	164,813	**146**	-
	26,562,747	25,024,965	**282,354**	247,500
Less: Capitalised in construction contract costs (Note 9)	**(72,000)**	(38,806)	**-**	-
	26,490,747	24,986,159	**282,354**	247,500

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

Directors' remuneration

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Executive directors of the Company:				
- Salaries, allowance and incentive	**1,131,053**	926,593	**-**	-
- EPF	**85,980**	63,853	**-**	-
- Fee	**90,000**	95,000	**90,000**	95,000
	1,307,033	1,085,446	**90,000**	95,000
Non-executive directors of the Company:				
- Allowance	**9,000**	9,500	**9,000**	9,500
- Fee	**144,000**	143,000	**144,000**	143,000
	153,000	152,500	**153,000**	152,500
Executive directors of subsidiaries:				
- Salaries, allowance and incentive	**1,644,419**	1,620,316	**-**	-
- EPF	**153,287**	149,412	**-**	-
	1,797,706	1,769,728	**-**	-
Total directors' remuneration	**3,257,739**	3,007,674	**243,000**	247,500

The directors' remuneration can be further analysed as:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Present directors:				
- Executive	**2,611,089**	2,855,174	**90,000**	70,000
- Non-executive	**153,000**	131,000	**153,000**	131,000
	2,764,089	2,986,174	**243,000**	201,000
Past directors:				
- Executive	**493,650**	-	**-**	25,000
- Non-executive	**-**	21,500	**-**	21,500
	493,650	21,500	**-**	46,500
	3,257,739	3,007,674	**243,000**	247,500

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23. TAX INCOME/(EXPENSE)

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	**(2,493,048)**	(1,974,000)	**(158,000)**	(14,000)
- Deferred tax relating to the origination and reversal of temporary differences	**4,391,441**	(13,000)	**(4,000)**	-
	1,898,393	(1,987,000)	**(162,000)**	(14,000)
Over/(Under) provision in prior years				
- Current tax	**32,161**	(4,680)	**(41,771)**	12,845
- Deferred tax	**72,000**	197,000	**(86,000)**	-
	104,161	192,320	**(127,771)**	12,845
	2,002,554	(1,794,680)	**(289,771)**	(1,155)

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

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Profit/(Loss) before tax	**10,699,975**	6,885,663	**4,587,696**	(413,533)
Income tax at Malaysian statutory tax rate of 24%	**(2,567,994)**	(1,652,559)	**(1,101,047)**	99,248
Effect of tax rate in foreign jurisdiction	**40,050**	24,421	**-**	-
Income not subject to tax	**244,789**	377,975	**3,196,634**	72,501
Expenses not deductible for tax purposes	**(1,750,436)**	(952,347)	**(2,257,587)**	(291,918)
Deferred tax assets recognised on unused tax losses and unabsorbed allowances	**5,938,286**	-	**-**	-
Movements on deferred tax assets not recognised	**(6,302)**	215,510	**-**	106,169
	1,898,393	(1,987,000)	**(162,000)**	(14,000)
Over/(Under) provision in prior years	**104,161**	192,320	**(127,771)**	12,845
	2,002,554	(1,794,680)	**(289,771)**	(1,155)

24. EARNINGS PER SHARE

24.1 Basic earnings per share

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

	GROUP	
	2018	2017
Profit attributable to owners of the Company (RM)	**12,578,117**	4,935,371
Weighted average number of ordinary shares in issue	**1,976,035,010**	1,895,421,577
Basic earnings per share (in sen)	**0.64**	0.26

24.2 Diluted earnings per share

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

	GROUP	
	2018	2017
Profit attributable to owners of the Company (RM)	**12,578,117**	4,935,371
Weighted average number of ordinary shares n issue	**1,976,035,010**	1,895,421,577
Adjusted for conversion of Warrants	**32,828,733**	84,955,569
	2,008,863,743	1,980,377,146
Diluted earnings per share (in sen)	**0.63**	0.25

25. SEGMENTAL INFORMATION

Business Segments

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

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

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

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

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25. SEGMENTAL INFORMATION (cont'd)

By business segments

	Manufacturing		Property construction and property development		Gaming and leisure		Others		Elimination			Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017		**2018**	2017
	RM	RM	**RM**	RM	**RM**	RM	**RM**	RM	**RM**	RM	**Note**	**RM**	RM
Revenue													
External sales	**125,219,846**	112,231,865	**43,973,907**	25,098,644	**5,244,314**	3,825,528	**-**	-	**-**	-		**174,438,067**	141,156,037
Inter-segment sales	**11,104,027**	7,728,676	**14,991,995**	-	**-**	-	**8,476,000**	876,000	**(34,572,022)**	(8,604,676)	**A**	**-**	-
Total revenue	**136,323,873**	119,960,541	**58,965,902**	25,098,644	**5,244,314**	3,825,528	**8,476,000**	876,000	**(34,572,022)**	(8,604,676)		**174,438,067**	141,156,037
Results													
Segment results	**7,897,950**	4,704,293	**4,383,487**	1,630,866	**1,001,245**	610,527	**(2,462,079)**	(373,087)	**-**	-		**10,820,603**	6,572,599
Interest income												**104,811**	509,827
Interest expense												**(225,439)**	(196,763)
Tax income/ (expense)												**2,002,554**	(1,794,680)
Profit for the financial year												**12,702,529**	5,090,983
Assets													
Segment assets	**118,107,495**	106,281,766	**66,385,779**	56,805,879	**3,853,594**	3,315,914	**13,175,658**	13,135,309	**-**	-		**201,522,526**	179,538,868
Goodwill on consolidation												**7,754,047**	8,591,870
Total assets												**209,276,573**	188,130,738
Liabilities													
Segment liabilities	**23,609,917**	16,166,188	**16,618,144**	14,900,574	**564,961**	479,692	**757,668**	641,887	**(992,567)**	-		**40,558,123**	32,188,341
Total liabilities												**40,558,123**	32,188,341
Other segment information													
Additions to non-current assets	**1,756,177**	2,279,510	**43,352**	379,955	**187,228**	56,497	**653,406**	170,830	**-**	-	**B**	**2,640,163**	2,886,792
Depreciation	**4,736,636**	4,724,798	**67,299**	25,236	**122,005**	95,033	**179,999**	196,210	**-**	-		**5,105,939**	5,041,277
Impairment loss on goodwill on consolidation	**-**	-	**-**	-	**-**	-	**837,823**	-	**-**	-		**837,823**	-
Non-cash (income)/ expenses other than depreciation and impairment loss on goodwill on consolidation	**(708,666)**	189,626	**-**	-	**(5,432)**	17,327	**(2,242)**	(266,043)	**-**	-	**C**	**(716,340)**	(59,090)

25. **SEGMENTAL INFORMATION (CONT'D)**

A Inter-segment revenues are eliminated on consolidation.

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

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

	2018	2017
	RM	RM
Gain on disposal of property, plant and equipment	**(960,116)**	(36,197)
Gain on disposal of non-current assets held for sale	**-**	(301,056)
Inventories written-down	**408,242**	-
Loss on disposal of a subsidiary	**-**	755
Property, plant and equipment written off	**1**	7,207
Unrealised (gain)/loss on foreign exchange	**(164,467)**	270,201
	(716,340)	(59,090)

Information about major customers

Total revenue from **2** (2017: 3) major customers which individually contributed to 10% or more of the Group's revenue from the manufacturing and property construction segments, amounted to **RM51,110,490** (2017: RM68,502,619).

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**	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Malaysia	**125,125,637**	95,411,438	**66,525,573**	66,862,325
Singapore	**13,961,573**	18,634,563	**-**	-
United Kingdom	**13,914,074**	13,645,621	**-**	-
United States of America	**6,615,087**	782,069	**-**	-
Cambodia	**5,244,314**	3,825,528	**229,551**	158,523
Australia	**5,080,970**	4,457,568	**-**	-
Other countries	**4,496,412**	4,399,250	**-**	-
	174,438,067	141,156,037	**66,755,124**	67,020,848

26. **COMMITMENTS**

Capital commitment

	GROUP	
	2018	2017
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	**96,000**	76,000

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27. RELATED PARTY DISCLOSURES

(i) Identity of related parties

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

Related parties	Relationship
- Premierpath Sdn. Bhd. - Durachem (Penang) Sdn. Bhd. - Gem Spektra Sdn. Bhd.	Companies in which persons connected to a former director of certain subsidiaries, namely Mr. Lim See Meng, have substantial financial interests.
- Shun Fa Sdn. Bhd.	A company in which a person connected to a director of a subsidiary, Mr. Tan Kim Cheang, has substantial financial interests.
- GDW Mengkuang Sdn. Bhd.	A company in which a director of the Company, Mr. Phuah Cheng Peng, has substantial financial interests.

(ii) Related party transactions

Related party transactions have been entered into at terms agreed between the parties during the financial year.

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Rental income from subsidiaries	**-**	-	**300,000**	300,000
Management fees charged to subsidiaries	**-**	-	**460,000**	360,000
Dividend income from a subsidiary	**-**	-	**7,500,000**	-
Consultation fee paid to:				
- a former director	**100,000**	-	**-**	-
- a director of a subsidiary	**40,000**	-	**-**	-
Disposal of motor vehicle as long service award to a former director	**1**	-	**-**	-
Progress billing to:				
- GDW Mengkuang Sdn. Bhd.	**15,735,239**	-	**-**	-
Purchases from related parties:				
- Premierpath Sdn. Bhd.	**4,594**	6,984	**-**	-
- Durachem (Penang) Sdn. Bhd.	**57,714**	824,486	**-**	-
- Shun Fa Sdn. Bhd.	**3,750**	20,594	**-**	-
Sales to related parties:				
- Durachem (Penang) Sdn. Bhd.	**-**	673	**-**	-
- Gem Spektra Sdn. Bhd.	**222,141**	490,976	**-**	-
Subcontractor fee charged by a related party:				
- Gem Spektra Sdn. Bhd.	**11,083,017**	-	**-**	-

27. **RELATED PARTY DISCLOSURES (CONT'D)**

(iii) **Compensation of key management personnel**

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

The Company has no other members of key management personnel apart from the Board of Directors which compensation has been shown in Note 22 to the financial statements.

28. **FINANCIAL INSTRUMENTS**

28.1 **Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"), loans and receivables ("L&R"), fair value through profit or loss ("FVTPL") and financial liabilities measured at amortised cost ("FL").

	Carrying amount	**AC**	**FVTPL**
	RM	**RM**	**RM**
GROUP			
2018			
Financial assets			
Trade receivables	**34,497,998**	**34,497,998**	**-**
Other receivables and refundable deposits	**22,569,443**	**22,569,443**	**-**
Fixed deposits with licensed banks	**3,827,609**	**3,827,609**	**-**
Short term funds with licensed financial institutions	**3,014,098**	**-**	**3,014,098**
Cash on hand and at banks	**17,958,452**	**17,958,452**	**-**
	81,867,600	**78,853,502**	**3,014,098**
Financial liabilities			
Borrowings	**6,982,593**	**6,982,593**	**-**
Trade payables	**24,126,884**	**24,126,884**	**-**
Other payables and accruals excluding GST payable	**7,485,339**	**7,485,339**	**-**
	38,594,816	**38,594,816**	**-**

The financial instrument classified in the prior year in accordance with *MFRS 139* are as follows:

	Carrying amount	L&R	FL
	RM	RM	RM
2017			
Financial assets			
Trade receivables	41,867,755	41,867,755	-
Other receivables and refundable deposits	24,398,677	24,398,677	-
Fixed deposits with licensed banks	1,389,377	1,389,377	-
Cash and bank balances	17,828,227	17,828,227	-
	85,484,036	85,484,036	-

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28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.1 **Categories of financial instruments (cont'd)**

	Carrying amount	L&R	FL
Financial liabilities			
Borrowings	2,153,277	-	2,153,277
Trade payables	21,953,643	-	21,953,643
Other payables and accruals excluding deferred revenue and GST payable	5,378,421	-	5,378,421
	29,485,341	-	29,485,341

	Carrying amount RM	**AC RM**	**FVTPL RM**
COMPANY			
2018			
Financial assets			
Other receivables and refundable deposits	**6,192,871**	**6,192,871**	**-**
Amount due from subsidiaries	**34,068,934**	**34,068,934**	**-**
Cash and bank balances	**141,543**	**141,543**	**-**
	40,403,348	**40,403,348**	**-**
Financial liabilities			
Other payables and accruals	**203,955**	**203,955**	**-**
Amount due to subsidiaries	**7,193,417**	**7,193,417**	**-**
	7,397,732	**7,397,372**	**-**

The financial instrument classified in the prior year in accordance with *MFRS 139* are as follows:

	Carrying amount RM	L&R RM	FL RM
2017			
Financial assets			
Other receivables and refundable deposits	6,354,694	6,354,694	-
Amount due from subsidiaries	31,247,244	31,247,244	-
Cash and bank balances	137,688	137,688	-
	37,739,626	37,739,626	-
Financial liabilities			
Other payables and accruals excluding GST payable	116,757	-	116,757
Amount due to subsidiaries	11,383,300	-	11,383,300
	11,500,057	-	11,500,057

28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.2 **Financial risk management**

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

28.3 **Credit risk**

Credit risk refers to the risk that a 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.

28.3.1 **Trade receivables**

The Group gives its customers credit terms that range between **30 to 75 days** (2017: 30 to 75 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

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

The ageing analysis of trade receivables of the Group as at the end of the reporting period is as follows:

	Gross	**Expected credit loss**	**Net**
	RM	**RM**	**RM**
GROUP			
2018			
Not past due	**20,916,298**	**-**	**20,916,298**
1 to 60 days past due	**6,534,608**	**-**	**6,534,608**
61 to 120 days past due	**378,325**	**-**	**378,325**
Past due more than 120 days	**6,792,323**	**(123,556)**	**6,668,767**
	13,705,256	**(123,556)**	**13,581,700**
	34,621,554	**(123,556)**	**34,497,998**

	Gross	Individual impairment	Net
	RM	RM	RM
2017			
Not past due	20,960,400	-	20,960,400
1 to 60 days past due	15,573,311	-	15,573,311
61 to 120 days past due	2,942,380	-	2,942,380
Past due more than 120 days	4,182,741	(1,791,077)	2,391,664
	22,698,432	(1,791,077)	20,907,355
	43,658,832	(1,791,077)	41,867,755

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28. **FINANCIAL INSTRUMENTS (CONT'D)**

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

28.3.1 **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 **RM13,581,700** (2017: RM20,907,355) 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** (2017: 2 customers) representing **29%** (2017: 63%) of the total trade receivables.

Maximum exposure to credit risk

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Gross	**Expected credit loss**	**Net**
	RM	**RM**	**RM**
Credit risk rating			
2018			
Low risk	**44,181,169**	**-**	**44,181,169**
Individually impaired	**123,556**	**(123,556)**	**-**
	44,304,725	**(123,556)**	**44,181,169**

In managing the credit risk of the trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group measures the allowance for expected credit losses of trade receivables at an amount equal to lifetime ECL using a simplified approach. The expected credit losses on trade receivables are estimated based on past default experience and an analysis of the trade receivables' current financial position, adjusted for factors that are specific to the trade receivables such as liquidation and bankruptcy. Forward looking information such as country risk assessment has been incorporated in determining the expected credit losses.

Trade receivables are usually collectible and the Group does not have much historical bad debts written off or impairment of trade receivables. There are circumstances where the settlement of trade receivables will take longer than the credit terms given to the customers. The delay in settlement is mainly due to disagreement of pricing and quality issue or administrative matter. No expected credit losses is provided during the financial year based on the above assessment as the impact to the Group's financial statements is not material.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.3 Credit risk (cont'd)

28.3.2 Intercompany balances

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

The maximum exposure to credit risk is represented by the carrying amount in the statements 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.

28.3.3 Financial guarantees

The Company has issued financial guarantees to financial institutions for banking facilities granted to certain subsidiaries and unsecured corporate guarantee to the contractors of a subsidiary.

	2018	2017
	RM	RM
Corporate guarantees issued to financial institutions for banking facilities granted to certain subsidiaries		
- Limit	**21,660,200**	13,419,200
- Maximum exposure	**6,838,356**	2,047,767
Corporate guarantees issued to the contractors of a subsidiary		
- Maximum exposure	**247,764**	-

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

28.4 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.

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28. **FINANCIAL INSTRUMENTS (CONT'D)**

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

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

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	RM	RM	RM	RM	RM	RM
GROUP						
2018						
Non-derivative financial assets						
Trade receivables	**34,497,998**	**34,497,998**	**34,497,998**	**-**	**-**	**-**
Other receivables and refundable deposits	**22,569,443**	**22,569,443**	**22,569,443**	**-**	**-**	**-**
Fixed deposits with licensed banks	**3,827,609**	**3,827,609**	**3,827,609**	**-**	**-**	**-**
Cash and bank balances	**20,972,550**	**20,972,550**	**20,972,550**	**-**	**-**	**-**
Total undiscounted financial assets	**81,867,600**	**81,867,600**	**81,867,600**	**-**	**-**	**-**
Non-derivative financial liabilities						
Borrowings	**6,982,593**	**7,208,883**	**5,855,775**	**678,923**	**574,305**	**99,880**
Trade payables	**24,126,884**	**24,126,884**	**24,126,884**	**-**	**-**	**-**
Other payables and accruals excluding GST payable	**7,485,339**	**7,485,339**	**7,485,339**	**-**	**-**	**-**
Total undiscounted financial liabilities	**38,594,816**	**38,821,106**	**37,467,998**	**678,923**	**574,305**	**99,880**
Net undiscounted financial assets/ (liabilities)	**43,272,784**	**43,046,494**	**44,399,602**	**(678,923)**	**(574,305)**	**(99,880)**

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28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Liquidity risk (cont'd)

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	RM	RM	RM	RM	RM	RM
2017						
Non-derivative financial assets						
Trade receivables	41,867,755	41,867,755	41,867,755	-	-	-
Other receivables and refundable deposits	24,398,677	24,398,677	24,398,677	-	-	-
Fixed deposits with licensed banks	1,389,377	1,389,377	1,389,377	-	-	-
Cash and bank balances	17,828,227	17,828,227	17,828,227	-	-	-
Total undiscounted financial assets	85,484,036	85,484,036	85,484,036	-	-	-
Non-derivative financial liabilities						
Borrowings	2,153,277	2,364,661	892,403	838,273	633,985	-
Trade payables	21,953,643	21,953,643	21,953,543	-	-	-
Other payables and accruals excluding deferred revenue and GST payable	5,378,421	5,378,421	5,378,421	-	-	-
Total undiscounted financial liabilities	29,485,341	29,696,725	28,224,367	838,273	633,985	-
Net undiscounted financial assets/ (liabilities)	55,998,695	49,787,311	51,259,569	(838,273)	(633,985)	-

COMPANY

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
2018						
Non-derivative financial assets						
Other receivables and refundable deposits	**6,192,871**	**6,192,871**	**6,192,871**	**-**	**-**	**-**
Amount due from subsidiaries	**34,068,934**	**34,068,934**	**34,068,934**	**-**	**-**	**-**
Cash and bank balances	**141,543**	**141,543**	**141,543**	**-**	**-**	**-**
Total undiscounted financial assets	**40,403,348**	**40,403,348**	**40,403,348**	**-**	**-**	**-**

Notes To The Financial Statements (Cont'd)

31 December 2018

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Liquidity risk (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
Non-derivative financial liabilities						
Other payables and accruals	**203,955**	**203,955**	**203,955**	**-**	**-**	**-**
Amount due to subsidiaries	**7,193,417**	**7,193,417**	**7,193,417**	**-**	**-**	**-**
* Financial guarantees	**-**	**7,086,120**	**7,086,120**	**-**	**-**	**-**
Total undiscounted financial liabilities	**7,397,372**	**14,483,492**	**14,483,492**	**-**	**-**	**-**
Net undiscounted financial assets	**33,005,976**	**25,919,856**	**26,919,856**	**-**	**-**	**-**
2017						
Non-derivative financial assets						
Other receivables and refundable deposits	6,354,694	6,354,694	6,354,694	-	-	-
Amount due from subsidiaries	31,247,244	31,247,244	31,247,244	-	-	-
Cash and bank balances	137,688	137,688	137,688	-	-	-
Total undiscounted financial assets	37,739,626	37,739,626	37,739,626	-	-	-
Non-derivative financial liabilities						
Other payables and accruals	116,757	116,757	116,757	-	-	-
Amount due to subsidiaries	11,383,300	11,383,300	11,383,300	-	-	-
* Financial guarantees	-	2,047,767	2,047,767	-	-	-
Total undiscounted financial liabilities	11,500,057	13,547,824	13,547,824	-	-	-
Net undiscounted financial assets	25,239,569	24,191,802	24,191,802	-	-	-

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

28. **FINANCIAL INSTRUMENTS (CONT'D)**

28.5 **Interest rate risk**

The Group's fixed rate instruments are exposed to a risk of change in its 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 their carrying amounts as at the end of the reporting period are as follows:

	GROUP	
	2018	2017
	RM	RM
Fixed rate instruments		
Financial assets	**3,827,609**	1,389,377
Financial liabilities	**1,883,157**	2,153,277
Floating rate instruments		
Financial assets	**3,014,098**	4,028,723
Financial liabilities	**5,099,436**	-

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does 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 decreased the Group's profit before tax by **RM1,444** (2017: RM7,792) and a corresponding increase would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

28.6 **Foreign currency risk**

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

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

Sensitivity analysis for foreign currency risk

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

Notes To The Financial Statements (Cont'd)
31 December 2018

28. FINANCIAL INSTRUMENTS (CONT'D)

28.6 Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

	GROUP	
	2018	2017
	RM	RM
USD	**(1,036,100)**	(711,491)
SGD	**(436,218)**	(403,695)
Other currencies	**(2,187)**	(1,158)
Decrease in profit before tax	**(1,474,505)**	(1,116,344)

28.7 Fair value measurement of financial instruments

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

29. CAPITAL MANAGEMENT

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

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

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt to equity ratio, which is calculated as total borrowings divided by total equity as follows:

	GROUP	
	2018	2017
	RM	RM
Total borrowings	**6,982,593**	2,153,277
Less: Fixed deposits with licensed banks	**3,827,609**	1,389,377
Cash and bank balances	**20,972,550**	17,828,227
	(24,800,159)	(19,217,604)
Net cash surplus	**(17,817,566)**	(17,064,327)
Total equity	**168,718,450**	155,942,397
Gearing ratio	**-**	-

30. MATERIAL LITIGATION

Luster Industries Bhd. ("Company") *vs.* Citi-Champ International Limited ("Citi-Champ"), How Soong Khong, Yap Yoke Chuan, Yap Kean Kok and Yew Ding Wei ("2nd to 5th Defendants")

On 8 June 2016, the Company received an invitation from a sale agent to bid for 100% equity interest in SS Ventures Ltd. ("SS Ventures"), a company held by Citi-Champ. In response to the invitation, the Company placed a refundable earnest deposit of RM3,000,000 to a legal firm acting as stakeholder for Citi-Champ to express its interest to participate in the bid. The Company paid another refundable earnest deposit of RM3,000,000 to the same legal firm, following the Company's decision to proceed with the final bid for a 10% equity stake in SS Ventures.

On 5 July 2016, the Company signed a Memorandum of Understanding ("MOU") with Citi-Champ whereby it was stated that New Harvest Asia Investment Limited ("New Harvest"), a wholly-owned subsidiary of Citi-Champ, is in the process of acquiring the entire equity interest in SS Ventures. The objective of the MOU is to record the understanding relating to the proposed disposal by Citi-Champ and acquisition by the Company of certain percentage of Citi-Champ's shares in New Harvest for a certain purchase consideration (Proposed Acquisition) to be determined later, subject to a definitive Share Sale Agreement and Shareholders Agreement (if required/applicable) to be entered into between the Company and Citi-Champ. The parties shall endeavour to finalise and mutually agree on the details of the Proposed Acquisition within 6 months from the date of the MOU.

On 1 December 2016, the Company's appointed solicitors wrote to Citi-Champ to inform that the Company has decided to withdraw its interest in SS Ventures and demanded for a full refund of the refundable earnest deposits of RM6,000,000 as there was no progress to the transfer of equity interest in SS Ventures to New Harvest.

Citi-Champ refused to make the refund, claiming that the first deposit of RM3,000,000 had been forfeited and that with regards to the second deposit of RM3,000,000, they had incurred a sum of RM4,850,400 to assist the Company in the due diligence/legal verification on SS Ventures, and would claim the difference of RM1,850,400 should the Company insist to claim the refund from them.

On 13 June 2017, the Company had through its solicitors filed a Statement of Claim at the High Court of Malaya at Shah Alam to pursue legal actions against Citi-Champ and the 2nd to 5th Defendants. The claim includes the refund of the total sum of RM6 million to the Company, general damages, exemplary damages and interests on the claim. On 19 June 2017, the Company filed an application for mareva injunction against the 2nd to 5th Defendants. On 31 October 2017, the High Court dismissed the application for mareva injunction, and also dismissed the erinford injunction application made immediately upon the dismissal of the mareva injunction application. On even date, the Company appealed to the Court of Appeal against the High Court's decision in dismissing the mareva injunction application. On 3 November 2017, the Company applied for an erinford injunction pending disposal of its appeal. On 19 December 2017, the Court of Appeal granted an erinford injunction.

On 13 March 2018, the Court of Appeal allowed the Company's appeal and granted a mareva injunction against the respondents. On 14 March 2018, the High Court dismissed the third parties' application to strike out the third party notice by the 5th defendant with costs of RM5,000. The third parties' appeal to the Court of Appeal has also been dismissed on 1 October 2018. On 24 October 2018, the High Court dismissed the third parties' application to strike out the third party notice by the 2nd to 4th defendants with no order as to costs.

The lawsuit has proceeded for full trial on 29 October 2018, 30 October 2018, 31 October 2018, 4 January 2019, 30 January 2019 and 31 January 2019. The trial had concluded on 6 March 2019. The High Court directed the parties to prepare and complete the transcription of the trial by 27 March 2019. Then the parties are to file written submissions simultaneously by 17 April 2019 and to file written submissions in rebuttal by 1 May 2019. The High Court has also fixed 13 May 2019 for oral submission or clarification of the written submissions.

31. MATERIAL AGREEMENTS

31.1 Agreement between PLSP and Cosmo Property Management Sdn. Bhd. ("Cosmo")

On 10 March 2017, PLSP entered into an agreement with Cosmo to reassign a construction project from Cosmo to PLSP. Prior to this agreement, Cosmo had been awarded the construction project by the developer. Among the key contents of the agreement are:

(i) PLSP shall take over from Cosmo the balance and uncompleted part of the construction project.

(ii) PLSP will be the main contractor of the construction project and it shall reappoint Cosmo as the sub-contractor to complete the construction project.

(iii) As the main contractor, the role of PLSP included among others, to provide supervisory and management services to ensure the completion of the construction project and to provide advancement and/or financial assistance as and when requested by Cosmo in relation to the completion of the construction project.

31.2 Project Financing, Management and Construction Agreement ("PFMCC Agreement")

On 26 May 2017, Luster Venture Sdn. Bhd. ("LVSB") entered into a PFMCC Agreement with GDW Mengkuang Sdn. Bhd. ("GDW") to act as the project financing, management and contractor company for the development of a portion of land measuring 225.17 acres in area ("Land") of which the proprietor of the Land is Lembaga Kemajuan Wilayah Pulau Pinang ("PERDA") ("Proposed Development 1") ("Awarded Project"). PERDA had by virtue of a Power of Attorney, granted its subsidiary, Perda Ventures Incorporated Sdn. Bhd. ("PVISB") to deal with the Land on its behalf.

On 19 June 2015, PVISB entered into an agreement with Pembinaan Terus Positif Sdn. Bhd. ("PTPSB") ("PTPSB's Agreement") to develop a portion of the Land, measuring 117.37 acres in area ("Project Land 1").

On 17 November 2015 and 28 March 2017, PVISB entered into an agreement and a variation letter respectively with GDW to develop the Project Land 1 ("GDW's Agreement"). GDW had subsequently obtained all the necessary approvals and permits from the relevant authorities pertaining to the development of Project Land 1 and had on 26 May 2017 entered into the PFMCC Agreement with LVSB.

Pursuant to the execution of the PFMCC Agreement on 26 May 2017, LVSB is required to pay PTPSB a sum of RM5,000,000 being the compensation or the agreed consideration for the confirmation by PTPSB that PTPSB's Agreement with PVISB shall be of no effect, in the following manner:

(i) RM3,000,000 after execution of the confirmation that PTPSB's Agreement with PVISB shall be of no effect and shall neither give rise to any claim nor legal action that will encumber the development of the Project Land 1; and

(ii) The balance of RM2,000,000 to be mutually agreed upon by GDW and LVSB.

In consideration of LVSB being awarded the contract for the financing and management of the development of the Project Land 1 and construction works of the Awarded Project, LVSB shall pay to PERDA a sum of RM13,198,480 and/or other payments as stated in the GDW's Agreement, being the landowner's entitlement at such time to be mutually agreed upon by the parties.

LVSB shall give a performance bond at the sum equivalent to 5% of the value of the construction work in consideration of LVSB being awarded the construction work of the Awarded Project by GDW.

In further consideration of LVSB being awarded the contract for the financing and management of the development of the Project Land 1 and construction works of the Awarded Project, LVSB shall further pay to GDW an agreed sum of RM6,500,000 as the fixed profits for GDW from the Awarded Project, which shall be payable upon the completion of the Awarded Project, provided that the net profit of the Awarded Project shall not be less than RM25,000,000.

31. **MATERIAL AGREEMENTS (CONT'D)**

31.3 **Joint Venture Agreement ("JVA")**

On 2 November 2017, Luster Hijauan Home Sdn. Bhd. ("Luster Hijauan" or "Developer") had entered into a JVA with Enrich Realty Sdn. Bhd. ("ERSB" or "Landowner") to develop a land measuring 3.6725 hectare ("Project Land 2") into commercial or residential or mixed commercial and residential estate on the Project Land 2 ("Proposed Development 2") upon the terms and conditions as stipulated in the JVA ("JV Project").

Prior to the JVA, the Landowner had entered into a joint venture agreement with Marvellous Havana Sdn. Bhd. ("MHSB") on 30 September 2014 ("Previous JVA") to grant the rights of developing the Project Land 2 and an adjacent land to MHSB. Pursuant to the Previous JVA, MHSB has paid the Landowner RM10,000,000 ("Payment") in respect of the development on the Project Land 2.

MHSB has obtained the planning permission approval of the Project Land 2 and as at the date of JVA, MHSB has made the Payment. Therefore, Luster Hijauan is required to reimburse to MHSB.

In consideration of Luster Hijauan agreeing to refund the Payment and Development Expenses to MHSB not later than 12 months from the date of the JVA, MHSB agrees and covenants with Luster Hijauan to cause the Landowner to rescind the Previous JVA with immediate effect.

The Landowner's Entitlement from the Proposed Development 2 shall be a total value of at least RM39,000,000 or up to 22% of the actual Gross Development Value of the Proposed Development 2, whichever is higher ("Landowner's Entitlement"). The balance after deducting the Landowner's Entitlement shall belong absolutely to Luster Hijauan ("Developer's Entitlement").

The Landowner's Entitlement shall be satisfied by way of a Cash Portion and Units Portion in the following manner:

(i) Cash Portion: A sum of RM10,000,000 which has been paid by MHSB to the Landowner shall be deemed to have been transferred/assigned by MHSB to Luster Hijauan and shall be deemed to have been received by the Landowner from Luster Hijauan as payment of the Cash Portion. The Landowner is entitled to forfeit a sum of RM1,000,000 and shall refund the balance of the Cash Portion if the Conditions Precedent in the JVA are not met.

(ii) Units Portion: The Landowner is entitled to such number of units of building to be erected within the Proposed Development 2 in accordance with the Landowner's Entitlement after deducting the value of the selected units of buildings equivalent to the Cash Portion, the value of which shall be determined based on the net sales launch price of the selected units.

32. **SIGNIFICANT EVENTS**

(a) At the Extraordinary General Meeting held On 28 August 2018, the shareholders of the Company had approved the resolution in relation to the proposed joint venture agreement between Luster Hijauan Home Sdn. Bhd., a wholly-owned subsidiary with Enrich Realty Sdn. Bhd. and proposed diversification of the business of the Group to include property development and construction business.

(b) On 18 October 2018, Bursa Malaysia Securities Berhad had approved the Company's application to undertake a private placement exercise involving the issuance of up to 197,603,500 number of new ordinary shares representing approximately 10% of the total number of issued shares in the Company. The shares have yet to be placed out as at the date of this report.

(c) On 22 October 2018, the Company had acquired a 35% equity interest in PCL at a nominal consideration of USD1 by way of accepting the transfer of shares from Opal Deluxe Limited ("Opal") as satisfaction of the profit shortfall pursuant to PCL's failure to achieve the profit guarantee as stipulated in the First Supplemental Agreement to the Sale of Shares Agreement dated 4 September 2015 signed between the Company and Opal.

33. **SUBSEQUENT EVENT**

On 15 February 2019, the Company and its wholly-owned subsidiary, Winco Precision Engineering (Melaka) Sdn. Bhd. ("WPE") had subscribed for 12,000,000 ordinary shares and 9,000,000 ordinary shares at an issue price of RM1.00 each respectively in Pembinaan LSP Jaya Sdn. Bhd. ("PLSP"), a wholly owned subsidiary of WPE, by way of debt conversion of RM12,000,000 and RM9,000,000 respectively ("Internal Re-Organisation"). Upon the completion of the Internal Re-Organisation, the Company and WPE each owned 54.55% and 45.45% equity interest respectively in PLSP.

List Of Properties

Details of properties of the Group are as follows:

	Description	Land Area (M²)	Built-up Area (M²)	Tenure	Date of Acquisition/ Revaluation* (Age of Building)	Carrying Amount @ 31.12.2018 RM
Lot 50 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	9,308	7,591	Leasehold period for 60 years expire on 2042	2001* 36	4,115,582
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* 23	5,440,137
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* 23	1,996,568
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* 14	2,896,648
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* 14	11,895,203
Lot 38 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	12,141	9,637	Leasehold period for 99 years expire on 2082	2011* 28	5,998,826
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* 34	212,354
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 8	206,724
HSD36462 Lot No. 3901 Mukim of Tanjong Minyak Melaka Tengah 75250 Melaka MELAKA	Freehold Land Factory Building	6,751	4,381	NA	2014 13	4,732,552

Analysis Of Shareholdings
As At 5 April 2019

The total number of issued shares	:	1,976,035,010 Ordinary Shares
Voting Rights	:	On show of hands - one vote for every shareholder On poll - One vote for every ordinary share held

ANALYSIS OF SHAREHOLDINGS AS AT 5 APRIL 2019

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	62	1.12	2,446	^
100 to 1,000	314	5.65	124,093	0.01
1,001 to 10,000	915	16.48	6,227,533	0.31
10,001 to 100,000	2,781	50.08	141,246,025	7.15
100,001 to less than 5% of issued shares	1,480	26.65	1,715,684,913	86.82
5% and above of issued shares	1	0.02	112,750,000	5.71
Total	**5,553**	**100.00**	**1,976,035,010**	**100.00**

^ *Negligible*

SUBSTANTIAL SHAREHOLDERS AS AT 5 APRIL 2019

Name	Number of Shares Held			
	Direct	%	Deemed	%
Phuah Cheng Peng	147,614,500	7.47	1,500,000®	0.08
Wee Song He, Wilson	129,926,220	6.58	800,000*	0.04

® *Deemed interested in the shares through mother.*
* *Deemed interested in the shares through father.*

DIRECTORS' SHAREHOLDINGS AS AT 5 APRIL 2019

Name	Number of Shares Held			
	Direct	%	Deemed	%
Tunku Datin Annie Dakhlah Binti Tuanku Munawir	2,565,000	0.13	-	-
Liang Wooi Gee	20,272,857	1.03	400#	^
Ahmad Kamal Bin S. Awab	-	-	-	-
Chuah Chong Ewe	72,595,000	3.67	-	-
Phuah Cheng Peng	147,614,500	7.47	1,500,000®	0.08
Mohamed Shukri Bin Mohamed Zain	100,000	0.01	-	-
Wee Song He, Wilson	129,926,220	6.58	800,000*	0.04

^ *Negligible*
# *Deemed interested by virtue of the interest of his spouse in the Company pursuant to Section 59(11)(c) of the Companies Act 2016*
® *Deemed interested in the shares through mother.*
* *Deemed interested in the shares through father.*

Analysis Of Shareholdings (Cont'd)

As At 5 April 2019

THIRTY LARGEST SHAREHOLDERS AS AT 5 APRIL 2019

NO.	NAME	HOLDINGS	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUAH CHENG PENG	112,750,000	5.71
2	WEE SONG HE, WILSON	76,521,220	3.87
3	RESOLUTE ACCOMPLISHMENT SDN. BHD.	74,450,000	3.77
4	CHUAH CHONG EWE	72,595,000	3.67
5	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEE SONG HE WILSON	50,905,000	2.58
6	PHUAH CHENG PENG	34,864,500	1.76
7	QUECK HAN TIONG	34,510,000	1.75
8	TEH SEONG KIAM	29,700,000	1.50
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIERRA BONUS SDN BHD (MARGIN)	29,050,000	1.47
10	TEOH TIAN WEN	27,745,100	1.40
11	BEH CHENG SIONG	27,600,000	1.40
12	RHB NOMINEES (TEMPATAN) SDN BHD KOH KWEE HWA	20,700,000	1.05
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIANG WOOI GEE	19,250,000	0.97
14	LIM TUAN	18,600,000	0.94
15	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR CENTRAL KEDAH PLYWOOD FACTORY SENDIRIAN BERHAD (8793-1501)	18,423,000	0.93
16	TANG BOON HIAP	17,324,800	0.88
17	GOH HOWA MING	15,886,671	0.80
18	CH'NG CHOR WAH	13,752,700	0.70
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHEE TONG	13,550,000	0.69
20	TANG KIAM HOW	13,155,000	0.67
21	LEE MENG KIAT	12,672,300	0.64
22	LIM SEE MENG	12,000,000	0.61
23	TAN AH BA	11,900,000	0.60
24	TAN KIM CHEANG	10,903,400	0.55
25	HO PO YUEN	10,000,000	0.51
26	ONG CHIN KANG	10,000,000	0.51
27	ROMESH MICHAEL A/L SRINIVASAN P	10,000,000	0.51
28	WONG AH KEU @ WONG CHEK NEE	10,000,000	0.51
29	LIEW CHAI YEE	9,952,000	0.50
30	LOW AH KOU	9,817,300	0.50
	TOTAL	**828,577,991**	**41.95**

Analysis Of Warrants Holdings

As At 5 April 2019

Total Number of Warrants A	: 441,594,505
Total Number of Warrants A Outstanding	: 441,594,505
Exercise Price Per Warrants A	: RM0.10
Exercise Period of Warrants A	: 5 June 2012 to 3 June 2022
Exercise Rights	: Each Warrant entitles the registered holder to subscribe for 1 new Luster Industries Bhd (LIB) share at the Exercise Price during the Exercise Period and shall be subjected to adjustments in accordance with the provisions of the Deed Poll.

ANALYSIS OF WARRANTS A HOLDINGS AS AT 5 APRIL 2019

Size of Warrants	No. of Warrants Holders	% of total Warrants Holders	No. of Warrants	% of total issued capital
Less than 100	70	5.35	2,928	^
100 to 1,000	37	2.82	19,223	^
1,001 to 10,000	167	12.76	953,104	0.22
10,001 to 100,000	580	44.31	32,550,718	7.37
100,001 to less than 5% of issued warrants	454	34.68	368,768,532	83.51
5% and above of issued warrants	1	0.08	39,300,000	8.90
Total	**1,309**	**100.00**	**441,594,505**	**100.00**

^ *Negligible*

DIRECTORS' WARRANTS A HOLDINGS AS AT 5 APRIL 2019

Name	Number of Warrants Held			
	Direct	%	Deemed	%
Liang Wooi Gee	5,714	^	-	-
Phuah Cheng Peng	1,500,000	0.34	-	-

^ *Negligible*

Analysis Of Warrants Holdings (Cont'd)

As At 5 April 2019

THIRTY LARGEST WARRANTS A HOLDERS AS AT 5 APRIL 2019

NO.	NAME	HOLDINGS	%
1	CHOO AH NGO	39,300,000	8.90
2	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GHIM CHAI	11,000,000	2.49
3	TANG PENG HUAT	8,410,000	1.90
4	LIM GEOK ENG MARY	8,200,000	1.86
5	QUECK HAN TIONG	8,200,000	1.86
6	LIM MENG YEW	7,106,000	1.61
7	SJC REALTY SDN. BHD.	6,200,000	1.40
8	CH'NG CHOR WAH	5,711,000	1.29
9	TAN HAN CHONG	5,500,000	1.25
10	ONG CHAI SI	5,470,200	1.24
11	LOW AH KOU	5,006,700	1.13
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GEOK ENG MARY	5,000,000	1.13
13	LIM HOCK AUN	4,800,000	1.09
14	GOH HOWA MING	4,000,042	0.91
15	LIT KHEE REALTY SDN BERHAD	4,000,000	0.91
16	SHIANGLY BUILDER SDN. BHD.	4,000,000	0.91
17	STEVE OOI	3,700,000	0.84
18	SIM MUI KHEE	3,600,000	0.82
19	TAN KIM LIANG	3,600,000	0.82
20	SIM SIEW TUAN	3,209,500	0.73
21	GARRY LIM GOH SIAW KEE	2,930,000	0.66
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LIM CHIN HORNG (M12035)	2,919,000	0.66
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOO POH TIT (PENANG-CL)	2,800,000	0.63
24	POO AH MOI	2,800,000	0.63
25	KHAW SIANG SIANG	2,580,000	0.58
26	TANG KONG MENG	2,543,700	0.58
27	LIM CHEN PANG	2,500,000	0.57
28	ONG BA @ ONG BOON KOOI	2,470,000	0.56
29	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	2,412,600	0.55
30	LOONG HOI LEONG	2,410,300	0.55
	TOTAL	**172,379,042**	**39.06**

Analysis Of Warrants Holdings (Cont'd)
As At 5 April 2019

Total Number of Warrants B	: 216,000,000
Total Number of Warrants B Outstanding	: 216,000,000
Exercise Price Per Warrants B	: RM0.10
Exercise Period of Warrants B	: 27 May 2013 to 26 May 2023
Exercise Rights	: Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for 1 new LIB Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.

ANALYSIS OF WARRANTS B HOLDINGS AS AT 5 APRIL 2019

Size of Warrants	No. of Warrants Holders	% of total Warrants Holders	No. of Warrants	% of total issued capital
Less than 100	0	0.00	0	^
100 to 1,000	37	5.65	26,400	0.01
1,001 to 10,000	39	5.95	292,400	0.14
10,001 to 100,000	303	46.26	18,664,000	8.64
100,001 to less than 5% issued warrants	276	42.14	197,017,200	91.21
5% and above of issued warrants	0	0.00	0	^
Total	**655**	**100.00**	**216,000,000**	**100.00**

^ *Negligible*

Analysis Of Warrants Holdings (Cont'd)

As At 5 April 2019

THIRTY LARGEST WARRANTS B HOLDERS AS AT 5 APRIL 2019

NO.	NAME	HOLDINGS	%
1	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	10,692,100	4.95
2	SJC REALTY SDN. BHD.	8,500,000	3.94
3	CHOO AH NGO	7,522,500	3.48
4	LIT KHEE REALTY SDN BERHAD	6,000,000	2.78
5	TAN TIAM YEE	5,100,000	2.36
6	LOW AH KOU	5,017,300	2.32
7	KOH BOON SAI	5,000,000	2.31
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KOOI HOCK	5,000,000	2.31
9	TAN POH SUAT	3,870,000	1.79
10	LIFETIME LEARNING SDN.BHD.	3,000,000	1.39
11	TAN HUNG CHEW SDN BHD	2,800,000	1.30
12	GOH HOWA MING	2,500,000	1.16
13	OOI SOO WEI	2,495,400	1.16
14	PHANG SEE ONG	2,320,000	1.07
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH LIP KA (E-BPJ)	2,231,400	1.03
16	TAN HUNG CHEW	2,058,000	0.95
17	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOON TUAN SIN	2,002,000	0.93
18	LIM MENG YEW	2,000,000	0.93
19	TAN KIM LIANG	2,000,000	0.93
20	ONG CHAI SI	1,983,300	0.92
21	TAN MOOI HUA	1,800,000	0.83
22	TAN YU ZHAN	1,800,000	0.83
23	YAP SOO LENG	1,750,000	0.81
24	GOH HOWA MING	1,635,800	0.76
25	LIM HOCK AUN	1,600,000	0.74
26	MOHD ILHAM BIN ZULKIFLI	1,595,500	0.74
27	TANG PENG HUAT	1,550,000	0.72
28	FOONG WAI CHEE	1,525,700	0.71
29	CHEW GIM EE	1,500,000	0.69
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GHIM CHAI	1,487,700	0.69
	TOTAL	**98,336,700**	**45.53**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 32nd Annual General Meeting of the Company will be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Wednesday, 29 May 2019 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 2018 together with the Auditors' Report thereon.	**Please refer to Explanatory Note**
2.	To approve the payment of Directors' fees and Directors' benefits of RM300,000 for the financial year ending 31 December 2019.	**Ordinary Resolution 1**
3.	To re-elect Mr Wee Song He, Wilson who retires in accordance with the Company's Constitution (Article No. 133 of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016).	**Ordinary Resolution 2**
4.	To re-elect Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir who retires in accordance with the Company's Constitution (Article No. 133 of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016).	**Ordinary Resolution 3**
5.	To re-elect Mr Chuah Chong Ewe who retires in accordance with the Company's Constitution (Article No. 138 of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016).	**Ordinary Resolution 4**
6.	To re-appoint Messrs Grant Thornton as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 5**

AS SPECIAL BUSINESS:
To consider and if thought fit, to pass with or without modifications the following as resolutions:-

7.	**ORDINARY RESOLUTION** **AUTHORITY TO ISSUE SHARES** "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."	**Ordinary Resolution 6**

Notice of Annual General Meeting (Cont'd)

8. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")
"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions failing within the type of recurrent related party transactions of a revenue or trading nature with related parties as set out in Section 2.4 of the Circular to Shareholders dated 30 April 2019 in relation to Proposed Renewal of Shareholders' Mandate, provided that such transactions are undertaken in the ordinary course of business, at arm's length and based on commercial terms and on terms not more favourable to the related party(ies) than those generally available to/from the public and are not, in the Company's opinion, detrimental to the minority shareholders and that the breakdown of the aggregate value of the recurrent related party transactions conducted/to be conducted during the financial year, including the types of recurrent related party transactions made and the names of the related parties, will be disclosed in the annual report of the Company pursuant to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

THAT such approval shall continue to be in force until:

(a) the conclusion of the Company's next Annual General Meeting ("AGM"), at which time it will lapse, unless the authority is renewed by a resolution passed at the general meeting;

(b) the expiration of the period within which the next Company's AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the Company's shareholders in a general meeting

whichever is earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate." **Ordinary Resolution 7**

9. **ORDINARY RESOLUTION**
MANDATE FOR TUNKU DATIN ANNIE DAKHLAH BINTI ALMARHUM TUANKU MUNAWIR TO CONTINUE TO ACT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY
"THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Ordinary Resolution 8**

10. **ORDINARY RESOLUTION**
MANDATE FOR EN. MOHAMED SHUKRI BIN MOHAMED ZAIN TO CONTINUE TO ACT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY
"THAT approval be and is hereby given to En. Mohamed Shukri Bin Mohamed Zain who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Ordinary Resolution 9**

11. **SPECIAL RESOLUTION**
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY
"THAT approval be and is hereby given for the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **Special Resolution**

Notice of Annual General Meeting (Cont'd)

12. To transact any other business of which due notices shall have been given in accordance with the Companies Act 2016.

By Order of the Board,

Chee Wai Hong (BC/C/1470)
Company Secretary
Penang

Date: 30 April 2019

Notes:

1. A Member may appoint up to two (2) proxies [subject to the Company's Constitution (Article 105a of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016)] to attend on the same occasion. A proxy may but need not be a Member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

2. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account its holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.

3. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than 48 hours before the time appointed for holding the meeting.

4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Company's Constitution (Article 80(3) of the Articles of Association of the Company as adopted before the commencement of the Act) and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 17 May 2019 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

6. All resolutions as set out in this Notice of Annual General Meeting are to be voted by poll.

Explanatory Note on Ordinary Business

Item 1 of the Agenda
To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.

This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Ordinary Resolution 1 – Payment of Directors' fees and Directors' benefits

Ordinary Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2019 and assuming that all Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees and benefits to meet the shortfall.

Notice of Annual General Meeting (Cont'd)

Explanatory Notes on Special Business (cont'd)

Ordinary Resolution 6 – Authority to issue shares

The proposed Ordinary Resolution 6, if passed, primarily to renew the mandate to give authority to the Board of Directors of the Company to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

On 9 October 2018, the Company had through its Adviser and Placement Agent, MIDF Amanah Investment Bank Berhad announced on the Proposed Private Placement of up to 197,603,500 new ordinary shares or representing up to 10% of the existing of the total number of issued shares of the Company to third party investor(s) to be identified at a later date ("Proposed Private Placement"), pursuant to general authority which was approved by shareholders at 31st Annual General Meeting held on 23 May 2018.

On 16 October 2018, the Company had through its Adviser and Placement Agent, MIDF Amanah Investment Bank Berhad announced that the listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities"). Bursa Securities had vide its letter dated 18 October 2018 approved the listing and quotation of up to 197,603,500 new ordinary shares to be issued pursuant to the Proposed Private Placement. Please refer to the Company's announcement dated 18 October 2018 on the conditions imposed by Bursa Securities.

As at the date of this Notice, the Company has not issued any new shares pursuant to the general authority granted to the Directors at the 31st Annual General Meeting held on 23 May 2018 and which will lapse at the conclusion of the 32nd Annual General Meeting to be held on 29 May 2019. A renewal of this authority is being sought at the 32nd Annual General Meeting under proposed Ordinary Resolution 6.

The renewal mandate if granted will provide flexibility to the Company for the allotment of shares for the purpose of fund raising activities including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

Ordinary Resolution 7 – Proposed Renewal of Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 7, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the Group's day-to-day operations and are in the ordinary course of business which carried out on an arm's length basis based on normal commercial terms and on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. The details of the proposal are set out in the Circular to Shareholders dated 30 April 2019.

Ordinary Resolution 8 – Mandate for Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir to continue to act as an Independent Non-Executive Director of the Company

The proposed Ordinary Resolution 8, if passed, will enable Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir to continue to act as Independent Non-Executive Director of the Company.

Both the Nomination Committee and Board of Directors have assessed the independence of Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended her to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

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

Notice of Annual General Meeting (Cont'd)

Explanatory Notes on Special Business (cont'd)

Ordinary Resolution 9 – Mandate for En. Mohamed Shukri Bin Mohamed Zain to continue to act as an Independent Non-Executive Director of the Company

The proposed Ordinary Resolution 9, if passed, will enable En. Mohamed Shukri Bin Mohamed Zain to continue to act as Independent Non-Executive Director of the Company.

Both the Nomination Committee and Board of Directors have assessed the independence of En. Mohamed Shukri Bin Mohamed Zain, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

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

Special Resolution – Proposed adoption of the new Constitution of the Company

The Special Resolution proposed under Agenda 11, if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016 and Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad and to enhance administrative efficiency. The proposed new Constitution is set out in the Circular to Shareholders dated 30 April 2019.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or it agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

Proxy Form

Creating Values

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

CDS Account No.																	
				-				-									

* I / We ....
(FULL NAME OF SHAREHOLDERS AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

(NRIC/Passport /Company No.)...) of ....

....
(ADDRESS)

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

....
(FULL NAME OF PROXY AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

(NRIC/Passport No.)..) of ....

....
(ADDRESS)

or failing him, ...
(FULL NAME OF PROXY AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

(NRIC/Passport No.)..) of ....

....
(ADDRESS)

as * my / our proxy to vote for * me / us on * my / our behalf at the 32nd Annual General Meeting of the Company to be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Wednesday, 29 May 2019 at 11:00 a.m. and any adjournment thereof.

NO.	**RESOLUTIONS**	**For**	**Against**
Ordinary Resolution 1	To approve the payment of Directors' fees and benefits for the financial year ending 31 December 2019		
Ordinary Resolution 2	To re-elect Mr Wee Song He, Wilson as Director		
Ordinary Resolution 3	To re-elect Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir as Director		
Ordinary Resolution 4	To re-elect Mr Chuah Chong Ewe as Director		
Ordinary Resolution 5	To re-appoint Messrs Grant Thornton as the Company's Auditors		
Ordinary Resolution 6	Authority to issue shares		
Ordinary Resolution 7	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 8	Mandate for Tunku Datin Annie Dakhlah Binti Almarhum Tuanku Munawir to continue to act as an Independent Non-Executive Director of the Company		
Ordinary Resolution 9	Mandate for En. Mohamed Shukri Bin Mohamed Zain to continue to act as an Independent Non-Executive Director of the Company		
Special Resolution	Proposed Adoption of the New Constitution of the Company		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction for voting is given, the proxy may vote as he thinks fit.

No. of shares held [ ]

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	%
Proxy 1		
Proxy 2		
Total		100

Signed this .... day of ...., 2019.

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

Notes:

1. A Member may appoint up to two (2) proxies [subject to the Company's Constitution (Article 105a of the Company's Articles of Association as adopted before the commencement of the Companies Act 2016)] to attend on the same occasion. A proxy may but need not be a Member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account its holds.

   An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.
3. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than 48 hours before the time appointed for holding the meeting.
4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Company's Constitution (Article 80(3) of the Articles of Association of the Company as adopted before the commencement of the Act) and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 17 May 2019 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
6. All resolutions as set out in this Notice of Annual General Meeting are to be voted by poll.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or it agents) to comply with any applicable laws, listing rules , regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Please fold here to seal

Stamp

To,

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

Please fold here to seal

LUSTER INDUSTRIES BHD (156148-P)

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

T : 604-441 7980
F : 604-442 8805
www.lustergroup.com