

Strategising for Success

ANNUAL REPORT 2016



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**Strategising
for Success**

CORPORATE INFORMATION

Directors

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

Audit Committee

Lau Theng Chim (Chairman)
Mohamed Shukri Bin Mohamed Zain
YAM Tunku Datin Annie Dakhlah
Bte Almarhum Tuanku Munawir

Business Address

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

Nominating Committee

Mohamed Shukri Bin Mohamed Zain (Chairman)
Lau Theng Chim
YAM Tunku Datin Annie Dakhlah
Bte Almarhum Tuanku Munawir

Auditors

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

Remuneration Committee

YAM Tunku Datin Annie Dakhlah
Bte Almarhum Tuanku Munawir (Chairman)
Lau Theng Chim
Liang Wooi Gee

Bankers

Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Alliance Bank Malaysia Berhad
Alliance Islamic Bank Berhad
Amlslamic Bank Berhad
Public Bank Berhad
OCBC Bank Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
Bank Islam Malaysia Berhad
RHB Bank Berhad

Risk Management Committee

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

Secretary

Chee Wai Hong (BC/C/1470)

Registered Office

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

Share Registrar

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

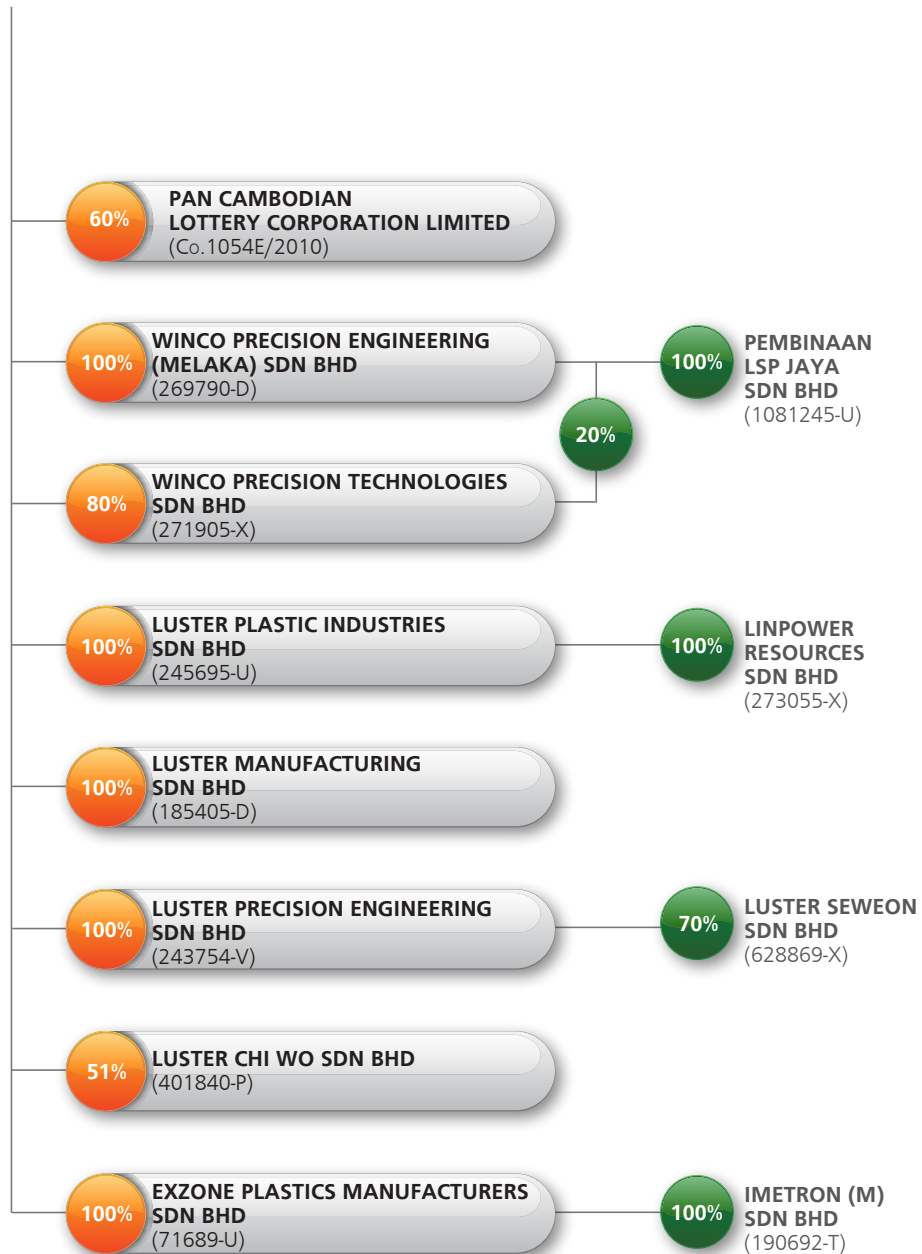
Stock Exchange Listing

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

GROUP STRUCTURE



LUSTER INDUSTRIES BHD
(156148-P)



STATEMENT FROM THE CHAIRMAN



Dear Shareholders,

On behalf of the Board of Directors of Luster Industries Bhd ("LIB"), I have the pleasure in presenting to you the Annual Report and the Annual Financial Statements of the Company and its subsidiaries ("The Group") for the financial year ended ("FYE") 31 December 2016.

In 2016, the world economy expanded by just 2.2 per cent, the slowest rate of growth since the Great Recession of 2009. This had affected our revenue in manufacturing segment. The revenue for manufacturing segment in financial year 2016 was RM111.8 million as compared to RM113.6 million in financial year 2015. This is mainly due to the reduction in sales to customers in electrical and electronic industry and automotive industry.

The Board believes that the construction sector has a great potential to grow in view of the growing demand for affordable homes in Malaysia. For financial year 2016, the Group had started the construction of one hundred and six (106) units of terrace houses, for a development project in Pengkalan Hulu, Perak. Further to that, the Group had also on 10 March 2017 entered into a contract to complete the remaining construction works of a construction project in Kota Bharu, Kelantan.

The gaming & leisure segment had recorded a revenue of RM1.9 million in financial year 2016 as compared to RM4.0 million in financial year 2015 due to the competitive business environment. However, LIB had taken steps to stabilize the lottery agencies with its partner.

The Group had temporarily halt the mining operation mainly due to the non-economy of scale for the operation. However, the Group is trying to identify potential partners to explore the current mining site and operate it on a bigger scale in order to optimize the economy of scale for the operation.

We believe that we have to continue to explore other opportunities while acknowledging the risks that the Group will be facing. However, we also acknowledge that by staying idle, the Group will also face the risk of declining growth. While pursuing our growth strategy, the Board will take precautionary steps to ensure the success of the new ventures and to mitigate the risks that the Group may face.

STATEMENT FROM THE CHAIRMAN (cont'd)

For financial year 2016, the Group had recorded total group revenue of RM113.7 million and loss before taxation of RM24.3 million as compared to total group revenue of RM117.6 million and loss before taxation of RM14.8 million in financial year 2015. This was mainly due to the written off of goodwill on consolidation of RM16.7 million in financial year 2016 as compared to RM12.1 million in financial year 2015. The losses in financial year 2016 was also caused by the impairment loss on property, plant and equipment in manufacturing sector of RM1.5 million, the impairment loss on mining deposit of RM2.5 million as the mining activities had temporary halt and the impairment loss on the deposits and prepaid expenses in relation to the casino project of RM1.7 million as the project was put on hold.

Future Development and Challenges

Global growth is projected to edge up in the coming years, but at a slower pace. This modest recovery is predicted to be more an indication of economic stabilization than a signal of a robust and sustained revival of global demand.

In the manufacturing segment, we will continue to differentiate ourselves from the other manufacturers by providing more value-added works and services to our customers which include design and development, innovative value-added processes, completeness of production processes and competitive costs through consolidate duplicated activities. The Group knows very well that the manufacturing activity has to evolve in order to maintain its competitiveness. The Group had decided to further expand into Original Equipment Manufacturer ("OEM") & Original Design Manufacturer ("ODM") manufacturing focusing on medical, hygiene and waste and automotive industries. The Group had invested significantly to position the manufacturing segment on a platform ready to be a significant player in the OEM & ODM industries. Significant 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. With all the efforts and time that the Group had invested, the manufacturing segment had successfully be appointed an Original Equipment Manufacturer for a customer in the hygiene and pest control industry. We continue to gain our customer's confidence and we had been given the opportunities to develop more products with them.

In construction segment, Pengkalan Hulu project is expected to be completed in 2017. On 10 March 2017, PLSP had taken over a project in Kota Bahru and will continue to explore available opportunities in this segment.

We have temporarily ceased the exploration and mining activities. However, the Group continues to explore alternative in the mining sector and is currently negotiating with few parties to enlarge the area of mining in order to achieve a more sustainable economy of scale for the operation.

In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in the financial year 2017.

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

DIRECTORS' PROFILE

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir (female), a Malaysian, aged 66, 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

Mr. Liang Wooi Gee (male), aged 45, a Malaysian, was appointed to the Board of Luster as an Executive Director on 30 September 2008, and subsequently appointed as Deputy Managing Director on 28 June 2013. He is the Group Chief Executive Officer and Group Chief Financial Officer. He holds a Higher Diploma In Management Accounting and is currently a finalist of Chartered Institute of Management Accountant ("CIMA").

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

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

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

Lim See Chea

Mr. Lim See Chea (male), aged 61, a Malaysian, is the founder of Luster. He completed his secondary education in 1974. He was appointed to the Board of Luster on 19 September 1986. Subsequently, he was appointed as the Managing Director on 18 October 2002. He was redesignated to Executive Director on 7 June 2016.

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

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

DIRECTORS' PROFILE (cont'd)

Wee Song He, Wilson

Wee Song He, Wilson (male), aged 37, a Singaporean, is appointed as an Executive Director of Luster Industries Bhd on 12 June 2012. He graduated with a Diploma in Digital Film Arts from School of Audio Engineering in 2005. He joined the private education sector for two years, where he was responsible in lecturing key programs and program coordination. In 2007, he joined Winco Precision Engineering (Melaka) Sdn Bhd ("WPESB") and Winco Precision Technologies Sdn Bhd as Executive Director. Apart from being actively involved in the overall coordination, execution and management of all projects undertaken by WPESB, he is responsible for leading the company in conceptualising, formalising and implementing corporate strategies.

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

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

Lau Theng Chim

Mr. Lau Theng Chim (male), aged 62, a Malaysian, was appointed as an Independent Non-Executive Director on 30 November 2007. He holds a Bachelor of Commerce degree from Deakin University, Australia. He is a member of Malaysia Institute of Accountants, CPA Australia and Chartered Tax Institute of Malaysia.

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

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

Mr. Lau Theng Chim is the Chairman of the Audit Committee and Risk Management Committee. He is also a member of Remuneration Committee and Nominating Committee.

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

Mohamed Shukri bin Mohamed Zain

Mohamed Shukri bin Mohamed Zain (male), a Malaysian, aged 52, was appointed as an Independent Non-Executive Director on 9 March 2010. He received his early education in King George V School in Seremban. Subsequently, he obtained his Bachelor of Science in Business Administration (Marketing and Finance) from Winthrop University, South Carolina, USA in 1987. Upon returning from the US, he was employed by the Federal Land Development Authority Group where he first served as a Purchasing Officer in FELDA Trading Corporation. Thereafter, he was transferred to FELDA Marketing Corporation (FELMA) in 1991. In 1993, he was put in charge of FELMA's London office, which served as Malaysia's main palm oil trading office for both the European and the American markets. In 1996, Mohamed Shukri together with some partners incorporated a logistics company, MayGlobe Logistics (M) Sdn Bhd. He was one of the main shareholders and served as the Group Managing Director from the inception of the company until late 2006. He is the Managing Director of Nano Quest (M) Sdn Bhd, a company which treats palm oil mill effluent as well as a director of Greater Tampin Oto Sdn Bhd operating a Honda distributorship in Negeri Sembilan.

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

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

Notes:

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 33 to 34 of this Annual Report.
3. None of our Directors hold or have held any directorships in other public companies and listed companies.

KEY SENIOR MANAGEMENT PROFILE

Liang Wooi Gee

Deputy Managing Director, Group Chief Executive Officer and Group Chief Financial Officer

The profile of Mr Liang Wooi Gee is listed under Board of Directors' Profile on page 6 of this Annual Report.

Lim See Chea

Managing Director of Luster Precision Engineering Sdn Bhd

The profile of Mr Lim See Chea is listed under Board of Directors' Profile on page 6 of this Annual Report.

Lim See Meng

Managing Director of Exzone Plastics Manufacturers Sdn Bhd ("EPM")

Lim See Meng (male), aged 63, a Malaysian, is the Managing Director of EPM. He completed his secondary education in 1976. His involvement in the plastic moulding industry began in 1977 when he joined Italy Art Industry as Supervisor. In 1978, he formed a joint venture company called Eully Plastics Industry Sdn Bhd ("Eully") where he was responsible for the operations of Eully. He left Eully to establish Sonico Industries Sdn Bhd in 1979, where he focused on business development and operations management. In 1984, he joined EPM as Director and subsequently become the Managing Director and major shareholder of EPM in 2009. He is instrumental in developing the business of EPM from a conventional household moulder to a high precision and finishing injection moulding company specializing in high finishing Electronic & Electrical products. As one of the pioneers in the company, he has been the driving force behind the development, growth and expansion of EPM.

Mr Lim See Meng is the brother of Lim See Chea. He has no conflict of interest with the Company.

Tan Kim Cheang

Executive Director of Exzone Plastics Manufacturers Sdn Bhd ("EPM")

Tan Kim Cheang (male), aged 48, a Malaysian, is the Executive Director of EPM. He completed his secondary education in 1987. He joined QCD (M) Sdn Bhd ("QCD"), a plastic injection moulding company, in 1988 as a Quality Controller. With his experiences in quality control, he was promoted to a Project Coordinator in 1990. In 1991, he was designated to be in-charge 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 in 2009. He is currently responsible for the marketing and operation management of EPM.

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

Wee Song He, Wilson

Executive Director of Winco Precision Engineering Sdn Bhd

The profile of Mr Wee Song He, Wilson is listed under Board of Directors' Profile on page 7 of this Annual Report.

KEY SENIOR MANAGEMENT PROFILE (cont'd)

Zaibidi Bin Mahamod

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

Zaibidi Bin Mahamod (male), aged 55, 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 R&D and production with ordinance development and engineering with Singapore Technology Group before joining WPE in 1996 as Assistant Manager responsible to set-up Pattern Mould Machining Department.

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.

Goh Khoon Hau

Group Financial Controller

Goh Khoon Hau (male), aged 46, a Malaysian, is the Group Financial Controller. He is a member of the Malaysian Institute of Accountants. He obtained his professional qualification in Association of Chartered Certified Accountants (ACCA) in year 2000.

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

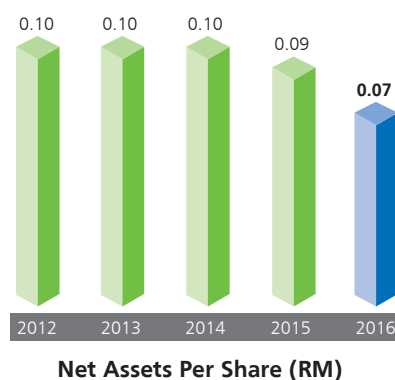
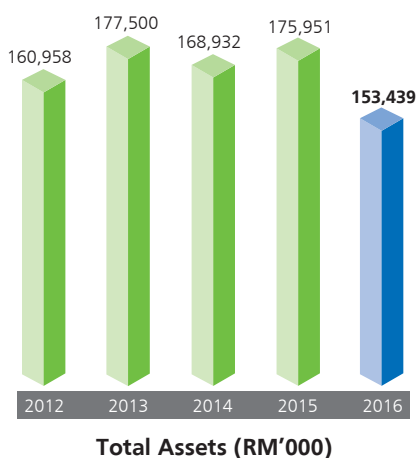
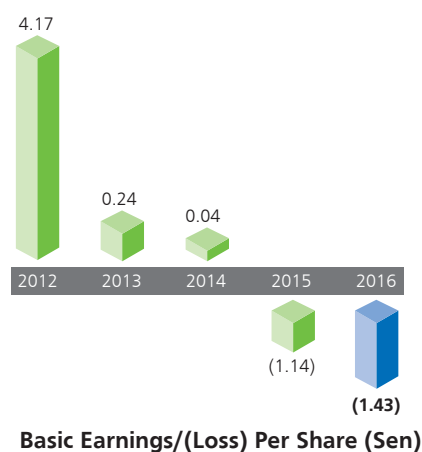
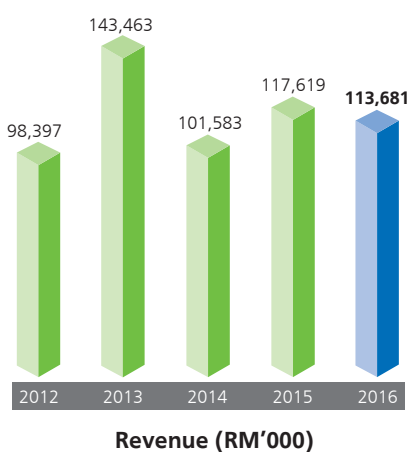
Notes:

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 directorships in other public companies and listed companies.

FINANCIAL HIGHLIGHTS

Five Years Financial Highlights

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	98,397	143,463	101,583	117,619	113,681
Profit/(Loss) Before Taxation	34,037	8,817	1,744	(14,844)	(24,273)
Profit/(Loss) After Taxation	31,760	5,509	779	(17,297)	(25,495)
Profit/(Loss) After Taxation and Minority Interests	30,226	3,092	612	(18,034)	(24,710)
Paid-up Capital	108,801	138,693	157,432	173,191	173,191
Total Assets	160,958	177,500	168,932	175,951	153,439
Shareholders' Fund	107,177	140,368	150,752	149,526	124,827
Basic Earnings/(Loss) Per Share (Sen)	4.17	0.24	0.04	(1.14)	(1.43)
Net Assets Per Share (RM)	0.10	0.10	0.10	0.09	0.07



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	<p>The manufacturing activities consist of:</p> <ol style="list-style-type: none"> Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products; and Precision engineering work and manufacturing of die-casting components. <p>The companies operating under this segment are Luster Precision Engineering Sdn Bhd, Exzone Plastics Manufacturers Sdn Bhd and Winco Precision Engineering (Melaka) Sdn Bhd.</p>
Property development	<p>Construction and property development.</p> <p>The company operating under this segment is Pembinaan LSP Jaya Sdn Bhd.</p>
Gaming & leisure	<p>Lottery operator in Cambodia.</p> <p>The company operating under this segment is Pan Cambodian Lottery Corporation Limited.</p>
Mining	<p>Temporarily halted operation mainly due to the non-economy of scale for the operation. However, the Group is trying to identify potential partners to explore the current mining site and operate it on a bigger scale in order to optimize the economy of scale for the operation.</p> <p>The company operating under this segment is Linpower Resources Sdn Bhd.</p>

Objectives & Strategies

The Group aims to be a product owner which meet the customers' satisfaction with affordable price.

Our business models were properly planned in order to meet this long term objective, these include amongst others:-

- In order to be a product owner, we had invested in our manufacturing facilities and recruited skilled manpower to be a one-stop center for our customers. We also approached our customers to be their Original Equipment Manufacturer ("OEM") and Original Design Manufacturer ("ODM").
- We have frequently communicated with our customers in order to understand their problems and proactively provide solutions to them. This help us in meeting our customers' expectation.
- In order to be a cost leadership, we had implemented lean manufacturing through automation and consolidation of processes.

Operational Review

The Group has recorded a revenue of RM113.7 million and RM117.6 million in financial year 2016 and financial year 2015 respectively. This was mainly due to the reduction in sales to customers in electrical and electronic industry and automotive industry in manufacturing segment. The Group has recorded a loss before taxation of RM24.3 million and RM14.8 million in financial year 2016 and financial year 2015 respectively. This was mainly due to the written off of goodwill on consolidation, impairment loss on property, plant and equipment in manufacturing segment, the impairment loss on mining deposit and the impairment loss on deposits and prepaid expenses in relation to the casino project.

The Net Asset per share has reduced from 9 sen in financial year 2015 to 7 sen in financial year 2016 mainly due the losses made in current financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Operational Review (cont'd)

The Group's cash and cash equivalents was RM16.9 million in financial year 2016, a decrease from RM21.9 million in financial year 2015. This was mainly due to expenditure spent on the property development project in Pengkalan Hulu. The total property development costs spent on this project was RM6.6 million in current financial year.

The capital expenditure spent in financial year 2016 was mainly on the purchase of machines for the automation of processes in order to reduce the reliance on manpower. This was financed mainly by hire purchase. The borrowings as a result had increased marginally from RM4.3 million in financial year 2015 to RM4.6 million in financial year 2016.

Based on Bank Negara Malaysia's annual report 2016, the country's overall GDP growth in 2016 grew only by 4.2%, in contrast to the 5% growth a year earlier. The Malaysian economy is projected to register a sustained growth of 4.3% - 4.8% in 2017. In view of this, we will continuously strive to implement various strategic measures to minimise the unwanted external effects on our operations.

Manufacturing Segment

The Group knows very well that the manufacturing activity of its plastic injection moulding has to evolve in order to maintain its competitiveness and profitability. The Group had decided to consolidate its operation in Northern region into an OEM & ODM focusing on medical, hygiene and waste and automotive industries. 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 Group's major success was when it concluded the contract end of 2015 to be the OEM manufacturer for a UK public-listed company. The development of the product took about a year. The Group managed to show its capabilities in handling the project and this had given our customer the confidence to award more projects.

This customer had subsequently developed a product with the Group involving electrical circuit board whereby we have shown our capabilities in the electrical and electronic design and manufacturing processes. This product does not provide us with a significant volume but rather a platform to test our capabilities in the electrical and electronic field. The Group had successfully manufactured the product within the time frame and our customer has managed to launch the product in time.

With the capabilities shown, our customer has the confidence to subsequently award the Group with a more complicated electrical board manufacturing process. This product was successfully launched within the time frame in UK and received a good response from the market.

Property Development Segment

The Group had started its first property development project in financial year 2016, for the construction of one hundred and six (106) units of terrace houses in Pengkalan Hulu, Perak. This project is expected to be completed in financial year 2017. Further to that, the Group had also on 10 March 2017 entered into a contract to complete the remaining construction works of another project in Kota Bharu, Kelantan.

Gaming & Leisure Segment

The Group's involvement in this segment started from 2015 in Cambodia. One of the reasons behind the success of a lottery company is that of a wide sales network which provides the convenience for gaming players. In financial year ended 2016, the Group had lost some of its sales network, which had resulted in the decline of revenue. The Group is taking steps and re-strategizing its plan together with its partner in this segment to reposition itself in the market to regain some of its lost sales network in the financial year ended 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Key Financial Analysis

The details of the risks are discussed in note 29 to the financial statements.

Forward Looking Statement

Based on a report by World Bank, moderate recovery is expected for 2017, with receding obstacles to activity in commodity exporters and solid domestic demand in commodity importers. Weak investment is weighing on medium-term prospects across many emerging markets and developing economies (EMDEs). Although fiscal stimulus in major economies, if implemented, may boost global growth above expectations, risks to growth forecasts remain tilted to the downside. Important downside risks stem from heightened policy uncertainty in major economies.

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

As for property development segment, the number of property transactions are expected to drop due to the uncertainties in the market and the slow loan growth, however, this will lead the market to consist of more genuine purchasers than speculators. As such, supply has remained resilient. Under Budget 2017, the public servants' housing loans eligibility will be increased and this may stimulate some 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 construction sector has a 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 a better prospect. The current addressable market for lottery is estimated to be about 55% of the population of Cambodia which stood at 16.0 million in the recent United Nations estimates. With rising disposable incomes, a larger proportion of Cambodians are able to participate in the lottery industry. The Board believes that we should be able to benefit from these opportunities.

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

The Group will continuously improve our operational efficiency 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 on us.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of Luster Industries Bhd. (the "Board") fully appreciates the importance of adopting high standards of corporate governance within the Group to ensure that the recommendation of the Malaysian Code on Corporate Governance 2012 ("the Code") are practiced throughout the Group as a mean of conducting the business and affairs of the Group with honesty, integrity and professionalism so as to enhance business prosperity and corporate accountability with aim to protect the interest of shareholders, whilst ensuring at the same time the interest of other stakeholders are safeguarded.

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

Principle 1. Establish Clear Roles & Responsibilities

1.1 Board Composition and Board Balance

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

The Board has within it, professionals drawn from varied backgrounds who bring with them in-depth and diversity in experience and expertise to the Group's operations. Together with Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. A brief profile of each Director is presented on pages 6 to 7 of this Annual Report.

1.2 Function of the Board And Management

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

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

1.3 Roles And Responsibility of the Board of Directors and Management

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

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

There is a clear division of responsibilities between the Chairman and the Deputy Managing Director to ensure a balance of power and authority. The Chairman is responsible for ensuring 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 Management team and Executive officers, led by both of the Group Deputy Managing Director, Mr Liang Wooi Gee, responsible to carry out the overall management of the Group, ensuring that the strategies, policies and matters set by the Board are implemented effectively.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

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

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

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

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

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

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

1.4 Code Of Conduct And Implementation

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

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

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

1.5 Strategies Promoting Sustainability

The Board views the commitment to sustainability and environmental, social and governance performance as part of its broader responsibility to client, shareholders and communities in which it operates. The Company's approach to sustainability for the financial year under review is set out in the Corporate Social Responsibility Statement on page 25 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

1.6 Access To Information And Advice

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

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

1.7 Company Secretary

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

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

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

1.8 Board Charter

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

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

PRINCIPLE 2 : Strengthen Composition

Board Committees

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

a) Audit Committee

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

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

The Audit Committee consists of three (3) Directors, all of whom are Independent Non-Executive Directors. The terms of reference is available on the Company's corporate website at <https://www.lustergroup.com> and the activities of the Audit Committee during the financial year are presented under the Audit Committee Report on pages 28 to 29 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 : Strengthen Composition (Cont'd)

Board Committees (Cont'd)

b) Nominating Committee

The Nominating Committee comprises of three (3) Independent Directors and their attendance of meetings during the financial year 2016 is as follows:

Nominating Committee	Position in Nominating Committee	Directorate	Attendance
Mohamed Shukri bin Mohamed Zain	Chairman	Independent Non-Executive Director	2/2
Lau Theng Chim	Member	Independent Non-Executive Director	2/2
Ng Chin Nam ^	Member	Independent Non-Executive Director	1/1
YAM Tunku Datin Annie Daklah Binti Almarhum Tuanku Munawir #	Member	Independent Non-Executive Chairman	N/A

[^] Resigned on 7 June 2016

[#] Appointed on 29 August 2016

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 (the Articles of Association as adopted before the commencement of the Companies Act, 2016), at least one-third of the Directors for the time being, including the Managing Director, are subject to retirement by rotation at each AGM if their number is not three (3) or multiple of three (3), the number nearest to one-third shall retire from office. The Directors to retire in AGM are the Directors who have been longest in office since their appointment or re-election. New Directors appointed to the Board shall also retire at the AGM following the appointment. In any of the circumstances, the Directors are eligible for re-election. These provide an opportunity for shareholders to renew their mandate. The election of each Director is voted on separately. Accordingly, Messrs Lim See Chea and Lau Theng Chim who are eligible, will be offering themselves for re-election at the forthcoming AGM.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 : Strengthen Composition (Cont'd)

Board Committees (Cont'd)

b) Nominating Committee (Cont'd)

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

- Assessed the effectiveness of the Board as a whole and the contribution of each individual director, including Independent Non-Executive Director;
- Reviewed the structure, size and composition of the Board of Directors ;
- Reviewed and assessed the mix of skills and experience and size of the Board;
- Reviewed and recommend the re-election or re-appointment of Directors who were retiring and seeking for re-election or re-appointment at the Thirtieth Annual General Meeting;
- Recommended to the Board on the appointment of YAM Tunku Datin Annie Dakhlah Binti Tuanku Munawir as Chairman of Remuneration Committee and member of Audit and Nominating Committees; and
- Reviewed the term of office 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 serves well to Recommendation 2.2 of the Code.

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

c) Remuneration Committee

The Remuneration Committee comprises of majority of independent directors and their attendance of meeting during the financial year 2016 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	N/A
Ng Chin Nam ^	Chairman	Independent Non-Executive Director	1/1
Lau Theng Chim	Member	Independent Non-Executive Director	1/1
Liang Wooi Gee	Member	Deputy Managing Director	1/1

[^] Resigned on 7 June 2016

[#] Appointed on 29 August 2016

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 2016 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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 : Strengthen Composition (Cont'd)

Board Committees (Cont'd)

c) Remuneration Committee (Cont'd)

A summary of the remuneration of Directors for the financial year ended 31 December 2016 is as follows:

The Company	Fees RM	Salaries RM	Other emoluments RM	Total RM
Executive Directors	140,000	1,319,346	369,666	1,829,012
Non-Executive Directors	160,269	-	20,000	180,269

The Group	Fees RM	Salaries RM	Other emoluments RM	Total RM
Executive Directors	140,000	1,319,346	369,666	1,829,012
Non-Executive Directors	160,269	-	20,000	180,269

The number of Directors of the Company whose total remuneration falls into the following bands for the financial year ended 31 December 2016 is tabulated below:

Range of remuneration	The Company		The Group	
	Number of Directors		Number of Directors	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Below RM50,000	1	2	1	2
RM50,001 to RM100,000	3	2	3	2
RM100,001 to RM150,000	1	-	1	-
RM150,001 to RM200,000	-	-	-	-
RM200,001 to RM250,000	1	-	1	-
RM250,001 to RM300,000	-	-	-	-
RM300,001 to RM350,000	1	-	1	-
RM350,001 to RM400,000	1	-	1	-
RM400,001 to RM450,000	-	-	-	-
RM450,001 to RM500,000	-	-	-	-
RM500,001 to RM550,000	1	-	1	-

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

d) Risk Management Committee

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

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

^ Resigned on 7 June 2016

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 2 : Strengthen Composition (Cont'd)

Board Committees (Cont'd)

d) 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 corporate website at <https://www.lustergroup.com>.

PRINCIPLE 3 : Reinforce Independence

Assessment of Independent Directors

The Board recognizes the importance of independence and objectivity in the decision making process. The Board and its Nominating Committee in their annual assessment concluded that each of the three (3) independent Non-Executive Directors continue to demonstrate conduct and behaviour that are essential indicators of independence. Each of them continues to fulfil the definition and criteria of independence as set out in Bursa Malaysia Main Market Listing Requirements.

Tenure of Independent Directors

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

The Nominating Committee and the Board assesses the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board. The Nominating Committee had reviewed and assessed the independence of Independent Non-Executive Directors during the financial year and is satisfied with the level of independence demonstrated by the respective Directors. Presently, the tenure of all the Independent Non-Executive Directors does not exceed a cumulative term of nine (9) years as recommended by the MCCG 2012 other than Mr Lau Theng Chim. On this, the Nominating Committee and the Board have assessed the independence of Mr Lau Theng Chim on 27 February 2017 and recommended him to continue to act as the Independent Non-Executive Director of the Company. The relevant motion on the subject matter will be presented to the shareholders for approval at forthcoming AGM.

Chairman and Managing Director to be held by Different Individuals

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

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

Chairman to be a Non-Executive Director

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

PRINCIPLE 4 : Foster Commitment

Time Commitment

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 31 December 2016. The Directors also understand their responsibility to notify the Chairman before accepting any new directorship.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 4 : Foster Commitment (Cont'd)

Time Commitment (Cont'd)

The Board is scheduled to meet at least four (4) times a year, with additional meetings convened when urgent and important decisions need to be taken in between scheduled meetings. During the financial year, the Board met seven (7) times, where it deliberated upon and considered a variety of matters including the Group's financial results and risk management. Going forward, the Board will deliberate on strategic issues concerning the Group. The Directors are provided with an agenda on matters requiring their consideration, issued before each meeting. During the meetings, the Board is briefed by the relevant Executive Directors and, where appropriate, board papers, which cover mainly financial information, are made available to Directors. This enables the Directors to obtain further explanations where necessary. All proceedings of Board meetings are recorded by way of minutes, which are signed by the Chairman of the meeting.

The attendance of the Directors who held office during the financial year ended 31 December 2016 is set out below:

Name	No. of meetings held and attended by Directors
Tunku Datin Annie Dakhlah binti Tuanku Munawir (Independent Non-Executive Chairman)	7/7
Liang Wooi Gee (Deputy Managing Director)	7/7
Lim See Chea (Executive Director)	6/7
Lim See Hua (Executive Director) ^	2/2
Lim See Meng (Executive Director) ^	2/2
Wee Song He, Wilson (Executive Director)	6/7
How Soong Khong (Managing Director) #	3/5
Yap Kean Kok (Executive Director) •	2/3
Yap Yoke Chuan (Executive Director) •	2/3
Wong Ken Hong (Executive Director) *	N/A
Lau Theng Chim (Independent Non-Executive Director)	7/7
Ng Chin Nam (Independent Non-Executive Director) ^	2/2
Mohamed Shukri bin Mohamed Zain (Independent Non-Executive Director)	6/7

[^] Resigned on 7 June 2016

[#] Appointed on 7 June 2016 and resigned on 14 December 2016

[•] Appointed on 7 June 2016 and resigned on 10 October 2016

^{*} Resigned on 2 February 2016

Directors' Training

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

All Directors have attended the Mandatory Accreditation Training Programme during the financial year ended 31 December 2016 as required by Bursa Securities and will continue to attend other relevant training programmes as appropriate to enhance their skills and knowledge.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 4 : Foster Commitment (Cont'd)

Directors' Training (Cont'd)

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

Date	Name of Director	Seminar / Training
06 January 2016	Lau Theng Chim	GST Advance Accounting And GST Post Implementation Issues
28 March 2016	Lau Theng Chim	GST Accounting For Property Developers And Contractors
06 April 2016	Lau Theng Chim	Corporate Governance Disclosures
18 April 2016	Wee Song He, Wilson	Employee Remuneration Reporting
18 May 2016	Lau Theng Chim	Closure Of A Company
02 June 2016	Lau Theng Chim	Merger, Acquisition & Affiliation Seminar & Exhibition 2016
25 June 2016	Lau Theng Chim	GST - Practical Issues & Recent Developments
06 October 2016	Liang Wooi Gee	GST Seminar 2016: Property & Construction – Issues & Updates
04 November 2016	Liang Wooi Gee	Malaysian Budget 2017

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

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

PRINCIPLE 5 : Uphold Integrity in Financial Reporting

Financial Reporting and Disclosure

The Board aims to present a balanced, clear and meaningful assessment of the Group's financial performance and prospects primarily through the annual financial statements and quarterly announcement of results to shareholders, as well as the Chairman's Statement in the Annual Report.

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

The Audit Committee also had on 25 February 2016 and 22 November 2016 held a private dialogue session with the external auditors without the presence of management during the year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems in respect of the audit for financial year 2015.

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 5 : Uphold Integrity in Financial Reporting (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 applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 (before the commencement 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.

Related Party Transactions

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

Relationship with Auditors

The key features outlining the relationship of the Audit Committee with both the external and internal auditors are presented under Audit Committee Report on page 29 of this Annual Report.

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

For details of the fees paid and/or payable by the Group in respect of audit and non-audit services for the financial year 2016, please refer to page 31 of this Annual Report. The Audit Committee, having reviewed all the non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services did not affect the independence of the external auditors. The Audit Committee is empowered by the Board to review all issues in relation to appointment and reappointment, resignation or dismissal of external auditors.

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

PRINCIPLE 6 : Recognise and Manage Risks

Sound Risk Management Framework

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

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

An overview of the state of internal controls and risk management within the Group is set out on pages 26 & 27 in this Annual Report under the Statement on Risk Management and Internal Control.

Internal Audit Function

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

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 6 : Recognise and Manage Risks (Cont'd)

Internal Audit Function (Cont'd)

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

PRINCIPLE 7 : Ensure Timely and High Quality Disclosure

Corporate Disclosure Policy

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

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

PRINCIPLE 8 : Strengthen Relationship Between the Company and Shareholders

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

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

The AGM is the principal forum for dialogue and interaction with the shareholders of the Company. The Board encourages shareholders' active participation at the Company's AGM and endeavours to ensure all Board Members, Senior Management and the Group's External Auditors are in attendance to respond to shareholders' enquiries. At the AGM, the Board presents the performance of the Group as contained in the Annual Report and shareholders presence are given the opportunity to present their views or to seek more information. Resolutions tabled and passed at the AGM are released to Bursa Malaysia on the same day.

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

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

COMPLIANCE WITH THE CODE

The Board is satisfied that, save as disclosed earlier, the Company has in all material aspects, complied with the principles and recommendation set out in The Code that were in place during the financial year ended 31 December 2016.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 24 April 2017.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

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

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

As employees are viewed as the greatest asset, the Group continuously organise various trainings and participate in seminars aiming to upgrade their skills and knowledge. The Group had also participated in Industrial Training Program where students from university and college can apply their theoretical knowledge to actual working environment.

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Responsibility

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

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

Risk Management

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

The objectives of the risk management framework are:

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

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

Internal Audit Function

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

Other Risks and Control Processes

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

The 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 2016 Annual Report. This Statement is reviewed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

Conclusion

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

This statement on internal control is made in accordance with a resolution of the Board of Directors dated 24 April 2017.

AUDIT COMMITTEE REPORT

Objective

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

Membership

The present member of the Audit Committee consist of :-

Chairman : Lau Theng Chim, *Independent Non-Executive Director*
Member : Ng Chin Nam, *Independent Non-Executive Director* ^
Mohamed Shukri bin Mohamed Zain, *Independent Non-Executive Director*
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir, *Independent Non-Executive Chairman* #

^ Resigned on 7 June 2016

Appointed on 29 August 2016

Meetings

During the financial year ended 31 December 2016, four (4) Audit Committee meetings were held and the table of attendance of each committee member is as follows:-

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

^ Resigned on 7 June 2016

Appointed on 29 August 2016

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

Summary of Work of Audit Committee

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

1. Financial Reporting

- Reviewed the quarterly unaudited financial results and recommended to the Board for approval and for announcement to Bursa Securities and submission to Securities Commission.
- Reviewed the annual audited financial statements with external auditors to ensure compliance with the provisions of the Companies Act, 1965 and Companies Act, 2016 from 31 January 2017 onwards, 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.

AUDIT COMMITTEE REPORT (cont'd)

Summary of Work of Audit Committee (cont'd)

2. External Auditors

- Reviewed the external auditors' reports for the financial year in relation to audit and accounting issues arising from the audit and the management's response.
- Considered the audit fee payable and the nomination of the external auditors for recommendation to the Board for re-appointment.
- Reviewed the external auditors' audit plan and scope of audit for the financial year ended 31 December 2016.
- Met with the external auditors twice during the financial year in February 2016 and November 2016 without the presence of any executive Board members.
- Reviewed and discussed with external auditors on their audit plan and audit scope of work for the year as well as the audit procedures to be performed.

3. Internal Auditors

- Reviewed Internal Audit Plan for 2016 of the Company, the scope and focus of the internal audit programmes.
- Reviewed internal audit reports of the Company and its operating subsidiaries prepared by the internal auditor, the audit recommendations made and management's response to the recommendations. During the financial year, the areas audited are Property, Plant & Equipment, Cash & Bank Management, Sales & Collection System Including Project Planning and Project Management and Human Resources Management in one of the key business units.

4. Recurrent Related Party Transaction ("RRPT")

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

Internal Audit Function

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

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

The total costs incurred for the internal audit function for the Group for the financial year amounted to RM51,300.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 26 to 27 of this Annual Report.

AUDIT COMMITTEE REPORT (cont'd)

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

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

The Company's ESOS was approved at an Extraordinary General Meeting ("EGM") held on 22 February 2012. During the financial year ended 31 December 2016, no offer was made to employees, the details of which are as below:

Grant date	Expiry date	Exercise Price RM/share	Outstanding as at 01.01.2016 ('000)	Granted ('000)	Exercised ('000)	Forfeited ('000)	Outstanding as at 31.12.2016 ('000)
15.06.2012	14.06.2017	0.100	66,026	-	-	(5,735)	60,291
29.08.2014	14.06.2017	0.105	11,250	-	-	(1,300)	9,950

Included in the above, a total of 34,000,000 options were granted to the Directors at the exercise price of RM0.10, none of the Directors exercised their ESOS during the financial year ended 31 December 2016. A total of 30,000,000 options are still outstanding for the Directors. Three Directors with a total of 11,000,000 options granted with a total of 9,000,000 unexercised options have resigned during the financial year ended 31 December 2016.

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

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

[^] Resigned on 7 June 2016

Granted to Directors & Senior Management	During the financial year ended 31 December 2016	Since commencement of the ESOS on 15 June 2012
Aggregate Maximum Allocation	-	60.0%
Actual Allocation	-	46.3%

OTHER INFORMATION

1) **Audit and Non-Audit Fees**

During the financial year, the audit fees paid or payable to the external auditors by the Group and LIB were RM99,000 and RM36,000 respectively.

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

2) **Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature for the year ended 31 December 2016**

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

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

Details of ESOS are disclosed in Note 31 to the financial statements.

4) **Utilisation of Proceeds**

On 14 May 2015 and 17 June 2015, the Company had issued 119,000,000 and 38,033,000 new ordinary shares respectively and the proceeds raised from the said issuance have been fully utilised during the financial year to fund the working capital for new projects and defray corporate exercise related expenses.

The Company had on 18 April 2017 issued 76,000,000 new ordinary shares to fund the working capital of the Group and defray corporate exercise related expenses. The total proceeds of RM7,980,000.00 from private placement exercise has not been utilised.

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

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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2016**.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	GROUP RM	COMPANY RM
Loss after tax for the financial year	<u>(25,494,687)</u>	<u>(17,429,686)</u>
Attributable to:		
Owners of the Company	(24,709,895)	(17,429,686)
Non-controlling interests	<u>(784,792)</u>	-
	<u>(25,494,687)</u>	<u>(17,429,686)</u>

In the opinion of the directors, except for those disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended **31 December 2016** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

RESERVES AND PROVISIONS

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

DIVIDENDS

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

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

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

WARRANTS

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

The salient features of the warrants are set out in Note 17.2 to the financial statements.

As at 31 December 2016, there is a total of 441,594,505 unexercised Warrants A and 216,000,000 unexercised Warrants B. None of the warrants have been exercised during the financial year.

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

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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

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

Grant date	Expiry date	Exercise price RM	Number of Share Option				
			Balance at 1.1.16	Granted and Accepted	Exercised	Resigned	Balance at 31.12.16
15.6.12	14.6.17	0.10	66,026,000	-	-	(5,735,000)	60,291,000
29.8.14	14.6.17	0.105	11,250,000	-	-	(1,300,000)	9,950,000

The salient features of the ESOS are set out in Note 31 to the financial statements.

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

DIRECTORS

The directors who held office during the financial year and up to the date of this report are as follows:

YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir
Lim See Chea
Liang Wooi Gee
Wee Song He, Wilson
Lau Theng Chim
Mohamed Shukri Bin Mohamed Zain
How Soong Khong (appointed on 7.6.2016 and resigned on 14.12.2016)
Yap Yoke Chuan (appointed on 7.6.2016 and resigned on 10.10.2016)
Yap Kean Kok (appointed on 7.6.2016 and resigned on 10.10.2016)
Lim See Hua (resigned on 7.6.2016)
Lim See Meng (resigned on 7.6.2016)
Ng Chin Nam (resigned on 7.6.2016)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.10 each			
	Balance at 1.1.16	Bought	Sold	Balance at 31.12.16
The Company				
Direct Interest:				
Lim See Chea	184,301,457	-	(65,000,000)	119,301,457
Liang Wooi Gee	22,022,857	-	-	22,022,857
Wee Song He, Wilson	132,051,220	10,000,000	-	142,051,220
* Deemed Interest:				
Lim See Chea	4,513,885	-	-	4,513,885
# Other Interest:				
Lim See Chea	125,000	-	-	125,000
Liang Wooi Gee	400	-	-	400

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

	Number of Warrants A			Balance at 31.12.16
	Balance at 1.1.16	Bought	Sold	
The Company				
Direct Interest:				
Lim See Chea	149,714	-	-	149,714
Liang Wooi Gee	5,714	-	-	5,714

	Number of options over ordinary shares of RM0.10 each			Balance at 31.12.16
	Balance at 1.1.16	Granted and accepted	Exercised	
YAM Tunku Datin Annie Dakhlah Bte Almarhum Tuanku Munawir	4,000,000	-	-	4,000,000
Lim See Chea	5,000,000	-	-	5,000,000
Liang Wooi Gee	4,000,000	-	-	4,000,000
Wee Song He, Wilson	2,000,000	-	-	2,000,000
Lau Teng Chim	3,000,000	-	-	3,000,000
Mohamed Shukri Bin Mohamed Zain	3,000,000	-	-	3,000,000

Note:

* Indirect interests pursuant to Section 6A of the Companies Act, 1965.

Indirect interests pursuant to Section 134(12)(c) of the Companies Act, 1965.

DIRECTORS' BENEFITS

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

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

OTHER STATUTORY INFORMATION (CONT'D)

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

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, and
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, and
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, and
- (iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other persons, and
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

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

SIGNIFICANT EVENT

Details of significant event during the financial year are disclosed in Note 32 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 33 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors:

.....
Lim See Chea

.....
Liang Wooi Gee

Penang,

Date: 11 April 2017

DIRECTORS' STATEMENT



In the opinion of the directors, the financial statements set out on pages 42 to 95 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2016** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 96 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors:

.....
Lim See Chea

.....
Liang Woi Gee

Date: 11 April 2017

STATUTORY DECLARATION

I, **Lim See Chea**, the director primarily responsible for the financial management of **Luster Industries Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 42 to 95 and the supplementary information set out on page 88 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 **11th**)
day of **April 2017**.)

.....
Lim See Chea

Before me,

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

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

Opinion

We have audited the financial statements of **Luster Industries Bhd.**, which comprise the statements of financial position as at **31 December 2016** 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 noted to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 95.

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 2016**, 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, 1965 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 10.1 and Note 32 to the financial statements. During the financial year, the Company paid a refundable earnest deposit of RM3,000,000 to a legal firm as stakeholder for Citi-Champ International Ltd. (Citi-Champ) to express its interest to bid for 100% equity interest in SS Ventures Ltd. (SS Ventures) held by Citi-Champ in response to Citi-Champ's sale agent's invitation letter. The Company paid another refundable earnest deposit of RM3,000,000 to the legal firm acting for Citi-Champ following its 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 noted 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 of SS Ventures. As there was no progress to the acquisition of SS Ventures by New Harvest, the Company's solicitors, as instructed by the Company, wrote to Citi-Champ on 1 December 2016 to inform Citi-Champ that the Company has decided to withdraw its interest in SS Ventures and demanded for the full refund of the refundable earnest deposits of RM6,000,000. On 20 February 2017, the Company's solicitors have confirmed to us as auditors that the Company has an impending claim of RM6,000,000 against Citi-Champ, Citi-Champ's solicitor and the Company's former Managing Director, with a threatened counter claim of RM1,850,400 by Citi-Champ against the Company. The solicitors are of the considered view that Citi-Champ's threatened claim against the Company is baseless and devoid of any merit whatsoever. Further there was no concluded and binding contract between the Company and Citi-Champ, and the entire stakeholder sum of RM6,000,000 ought to be refunded to the Company. The purported expenses of RM4,850,400 allegedly incurred by Citi-Champ was not authorised by the Company and has nothing to do with the Company, and, if actually incurred (which is disputed), was not reasonably incurred and also not a reasonable sum. The solicitors concluded that the possibility of ultimate liability on the Company's part, if any, is minimal.

After considering all facts and circumstances, 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 would like to highlight that the recoverability of such a significant amount would depend on the outcome of the impending claim of the said amount against the relevant parties.

INDEPENDENT AUDITORS' REPORT (cont'd)

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

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 Matter	How our audit addressed the Key Audit Matter
<p>Impairment of goodwill</p> <p>Refer to Note 2.6.2 (iii) (Key sources of estimation uncertainty), Note 3.4 (Significant accounting policies) and Note 6 (Goodwill on consolidation).</p> <p>As at 31 December 2016, Company recorded a significant amount of goodwill as disclosed in Note 6 to the financial statements. The goodwill is allocated to the cash generating units within two reportable segments namely the manufacturing and gaming & leisure segments.</p> <p>The Company performs an annual impairment test to identify impairment losses, arising when the recoverable amount for a cash generating unit is lower than the carrying amount recorded. When assessing the carrying amount of goodwill, management made significant estimation about future results and profitability and the assumptions underlying these.</p> <p>Based on the impairment test, the Company has recognised an impairment loss of RM16,658,918 on its gaming & leisure segment.</p>	<p>Our audit procedures in relation to management's impairment assessment included the following:</p> <ul style="list-style-type: none"> • Evaluating the model used in determining the value in use of the cash generating unit 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 per cash generating unit to assumptions applied in prior year models, to assess historical accuracy of management's estimates. • Assessing the adequacy of disclosures in the financial statements.
<p>Allowance for inventories</p> <p>Refer to Note 2.6.2 (iv) (Key sources of estimation uncertainty), Note 3.10 (Significant accounting policies) and Note 8 (Inventories).</p> <p>As at 31 December 2016, the Group holds significant inventories as disclosed in Note 8 to the financial statements. The assessment of inventory write-downs due to excess quantities and decline in net realisable value below cost involved judgements and estimation uncertainty in forming expectations about future sales and customers' demands.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of: <ul style="list-style-type: none"> - 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. • 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. • Reviewing the net realisable value of inventories on sampling basis. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

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 Matter	How our audit addressed the Key Audit Matter
<p>Impairment of loans and receivables</p> <p>Refer to Note 2.6.2 (v) (Key sources of estimation uncertainty), Note 3.6 (Significant accounting policies), Note 9 (Trade receivables) and Note 10 (Other receivables, deposits and prepayments).</p> <p>As at 31 December 2016, the Group has significant receivables as disclosed in Note 9 and Note 10 to the financial statements. The assessment of recoverability of receivables involved judgements and estimation uncertainty in determining the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.</p>	<p>Our audit procedures in relation to management's impairment assessment included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of: <ul style="list-style-type: none"> - The Group's control over the customer collection process; - How the Group identifies and assesses the impairment of receivables; and - How the Group makes the accounting estimates for impairment. • Reviewing the aging analysis of trade receivables and testing the reliability thereof. • Reviewing subsequent collections for major receivables and overdue amounts. • Reviewing the validity of material other receivables, deposits and prepayments. • Making inquiries of management regarding the action plans to recover overdue amounts. • Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT (cont'd)

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

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' Responsibility 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)

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 96 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Grant Thornton
No. AF: 0042
Chartered Accountants

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

Date: 11 April 2017

Penang

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTE	GROUP		COMPANY	
		2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	60,609,306	64,006,606	4,182,213	4,298,236
Investment in subsidiaries	5	-	-	111,951,092	129,122,791
Goodwill on consolidation	6	8,591,870	25,250,788	-	-
		69,201,176	89,257,394	116,133,305	133,421,027
Current assets					
Property development costs	7	9,895,188	-	-	-
Inventories	8	12,549,524	13,718,841	-	-
Trade receivables	9	25,041,821	25,368,477	-	-
Other receivables, deposits and prepayments	10	12,634,496	13,858,978	6,588,584	277,704
Amount due from subsidiaries	11	-	-	4,784,882	4,833,904
Current tax assets		1,257,137	986,068	258,248	70,996
Fixed deposits with licensed banks	12	4,280,517	7,368,733	33,882	32,799
Cash and bank balances	13	16,768,855	18,535,430	1,697,639	225,241
		82,427,538	79,836,527	13,363,235	5,440,644
Non-current assets held for sale	14	1,810,265	6,856,597	1,810,265	5,529,064
		84,237,803	86,693,124	15,173,500	10,969,708
TOTAL ASSETS		153,438,979	175,950,518	131,306,805	144,390,735
EQUITY AND LIABILITIES					
Share capital	15	173,190,891	173,190,891	173,190,891	173,190,891
Irredeemable convertible unsecured loan stocks	16	473,460	473,460	473,460	473,460
Other reserves	17	(48,837,368)	(24,138,284)	(54,692,458)	(37,262,772)
Equity attributable to owners of the Company		124,826,983	149,526,067	118,971,893	136,401,579
Non-controlling interests		868,607	1,646,191	-	-
Total equity		125,695,590	151,172,258	118,971,893	136,401,579
Non-current liabilities					
Borrowings	18	1,672,294	1,066,783	-	-
Deferred tax liabilities	19	1,367,000	2,100,000	-	658,000
		3,039,294	3,166,783	-	658,000
Current liabilities					
Trade payables	20	13,641,762	10,502,718	-	-
Other payables and accruals	21	7,758,995	7,536,285	663,976	888,176
Amount due to subsidiaries	11	-	-	11,670,936	6,442,980
Borrowings	18	2,945,947	3,193,268	-	-
Current tax liabilities		357,391	379,206	-	-
		24,704,095	21,611,477	12,334,912	7,331,156
Total liabilities		27,743,389	24,778,260	12,334,912	7,989,156
TOTAL EQUITY AND LIABILITIES		153,438,979	175,950,518	131,306,805	144,390,735

The notes set out on pages 50 to 95 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	GROUP		COMPANY	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	22	113,680,619	117,618,736	2,820,000	6,820,500
Cost of sales		(100,834,452)	(103,902,339)	-	-
Gross profit		12,846,167	13,716,397	2,820,000	6,820,500
Other income		3,015,248	3,720,201	159,244	188,109
Administrative expenses		(38,651,452)	(30,580,585)	(20,523,858)	(24,361,248)
Selling and distribution expenses		(1,271,989)	(1,460,036)	-	-
Operating loss		(24,062,026)	(14,604,023)	(17,544,614)	(17,352,639)
Finance costs		(211,154)	(240,368)	-	-
Loss before tax	23	(24,273,180)	(14,844,391)	(17,544,614)	(17,352,639)
Tax (expense)/income	24	(1,221,507)	(2,452,923)	114,928	(1,253,663)
Loss for the financial year		(25,494,687)	(17,297,314)	(17,429,686)	(18,606,302)
Total other comprehensive income					
Item that will be reclassified					
subsequently to profit or loss:					
Foreign currency translation differences for foreign operation		18,019	950,608	-	-
Total comprehensive loss for the financial year		(25,476,668)	(16,346,706)	(17,429,686)	(18,606,302)
Loss attributable to:					
Owners of the Company		(24,709,895)	(18,033,803)	(17,429,686)	(18,606,302)
Non-controlling interests		(784,792)	736,489	-	-
		(25,494,687)	(17,297,314)	(17,429,686)	(18,606,302)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(24,699,084)	(17,182,030)	(17,429,686)	(18,606,302)
Non-controlling interests		(777,584)	835,324	-	-
		(25,476,668)	(16,346,706)	(17,429,686)	(18,606,302)
Loss per share attributable to owners of the Company (sen)	25				
- Basic		(1.43)	(1.14)		
- Diluted		-	-		

The notes set out on pages 50 to 95 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The notes set out on pages 50 to 95 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company										Total Equity RM	
	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
2015												
Balance at beginning	157,432,201	489,850	941,713	-	22,618,076	(22,618,076)	2,255,005	8,419,642	(18,785,978)	150,752,433	-	150,752,433
Foreign currency translation differences for foreign operations	-	-	-	851,773	-	-	-	-	-	851,773	98,835	950,608
Loss for the financial year	-	-	-	-	-	-	-	-	(18,033,803)	(18,033,803)	736,489	(17,297,314)
Total comprehensive loss for the financial year	-	-	-	851,773	-	-	-	-	(18,033,803)	(17,182,030)	835,324	(16,346,706)
<i>Transactions with owners of the Company:</i>												
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	810,867	810,867
Issuance of shares pursuant to:												
- Conversion of ICULS	16,390	(16,390)	-	-	-	-	-	-	-	-	-	-
- Private placement	15,703,300	-	-	-	-	-	-	-	-	15,703,300	-	15,703,300
- Share options exercised	39,000	-	9,473	-	-	-	(9,223)	-	-	39,250	-	39,250
Share-based-payment transactions:												
- Current year	-	-	-	-	-	-	213,114	-	-	213,114	-	213,114
- Lapsed due to resignation	-	-	-	-	-	-	(698,362)	-	698,362	-	-	-
Total transactions with owners	15,758,690	(16,390)	9,473	-	-	-	(494,471)	-	698,362	15,955,664	810,867	16,766,531
Balance at end	173,190,891	473,460	951,186	851,773	2,618,076	(22,618,076)	1,760,534	8,419,642	(36,121,419)	149,526,067	1,646,191	151,172,258

The notes set out on pages 50 to 95 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company						Total Equity RM
	Share Capital RM	ICULS RM	Share Premium RM	Non-distributable Warrants Reserve RM	Discount on Shares RM	ESOS Reserve RM	
2016							
Balance at beginning	173,190,891	473,460	951,186	22,618,076	(22,618,076)	1,760,534	136,401,579
Net loss, representing total comprehensive loss for the financial year	-	-	-	-	-	-	(17,429,686)
Transactions with owners of the Company: Share-based-payment transactions: - Lapsed due to resignation	-	-	-	-	-	(170,867)	170,867
Balance at end	173,190,891	473,460	951,186	22,618,076	(22,618,076)	1,589,667	118,971,893
2015							
Balance at beginning	157,432,201	489,850	941,713	22,618,076	(22,618,076)	2,255,005	139,052,217
Net loss, representing total comprehensive loss for the financial year	-	-	-	-	-	-	(18,606,302)
Transactions with owners of the Company: Issuance of shares pursuant to: - Conversion of ICULS - Private placement - Share options exercised	16,390 15,703,300 39,000	(16,390) - -	- - 9,473	- - -	- - -	- - (9,223)	- 15,703,300 39,250
Share-based-payment transactions: - Current year - Lapsed due to resignation	-	-	-	-	-	213,114 (698,362)	213,114 698,362
Total transactions with owners	15,758,690	(16,390)	9,473	-	-	(494,471)	15,955,664
Balance at end	173,190,891	473,460	951,186	22,618,076	(22,618,076)	1,760,534	136,401,579

The notes set out on pages 50 to 95 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(24,273,180)	(14,844,391)	(17,544,614)	(17,352,639)
Adjustments for:				
Bad debts	3,112	-	2,974	2,911
Depreciation	5,045,641	6,005,384	115,872	475,207
Dividend income	-	-	-	(4,000,500)
(Gain)/Loss on disposal of property, plant and equipment	(39,697)	18,344	-	(144,429)
Gain on disposal of non-current assets held for sale	(791,989)	-	(119,522)	-
Impairment loss on goodwill on consolidation	16,658,918	12,137,398	-	-
Impairment loss on investment in subsidiaries	-	-	17,171,699	19,718,773
Impairment loss on property, plant and equipment	1,479,857	959,556	-	-
Impairment loss on trade receivables	-	993,477	-	-
Impairment loss on deposits and prepayments	4,155,935	-	-	-
Interest expense	211,154	240,368	-	-
Interest income	(469,810)	(712,736)	(5,292)	(40,347)
Property, plant and equipment written off	276,221	167,052	151	167,051
Share-based compensation pursuant to ESOS granted	-	213,114	-	213,114
Waiver of debts	(26,289)	-	-	-
Unrealised gain on foreign exchange	(246,779)	(920,348)	(34,430)	-
Operating profit/(loss) before working capital changes	1,983,094	4,257,218	(413,162)	(960,859)
Increase in property development costs	(9,895,188)	-	-	-
Decrease/(Increase) in inventories	1,169,317	(474,451)	-	-
(Increase)/Decrease in receivables	(2,475,092)	(7,074,743)	(6,310,880)	394,587
Increase/(Decrease) in payables	3,301,405	4,731,056	(224,200)	611,902
Cash (used in)/generated from operations	(5,916,464)	1,439,080	(6,948,242)	45,630
Income tax paid	(2,388,155)	(1,966,836)	(730,324)	(945,044)
Income tax refunded	140,764	88,697	-	20,225
Interest paid	(208,261)	(240,368)	-	-
Net cash used in operating activities	(8,372,116)	(679,427)	(7,678,566)	(879,189)

The notes set out on pages 50 to 95 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Net cash used in operating activities	(8,372,116)	(679,427)	(7,678,566)	(879,189)
CASH FLOWS FROM INVESTING ACTIVITIES				
(i) Cash flows on acquisition of a subsidiary	-	(17,105,828)	-	-
Dividend received	-	-	-	4,000,500
Interest received	380,236	701,580	5,292	40,347
Investment in a subsidiary	-	-	-	(17,171,700)
Proceeds from disposal of non-current assets held for sale	6,000,000	-	4,000,000	-
Proceeds from disposal of property, plant and equipment	82,849	85,858	-	212,304
Subsequent costs incurred for non-current assets held for sale	(161,679)	-	(161,679)	-
(ii) Purchase of property, plant and equipment	(1,810,430)	(1,940,360)	-	(437,841)
Withdrawal of fixed deposits	-	114,812	-	-
Net cash from/(used in) investing activities	4,490,976	(18,143,938)	3,843,613	(13,356,390)
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of bankers' acceptance	-	500,000	-	-
Net change in subsidiaries' balances	-	-	5,308,434	(2,045,052)
Payment of finance lease liabilities	(1,234,491)	(1,384,815)	-	-
Proceeds from private placement	-	15,703,300	-	15,703,300
Proceeds from ESOS exercised	-	39,250	-	39,250
Repayment of term loan	(39,149)	(27,886)	-	-
Net cash (used in)/from financing activities	(1,273,640)	14,829,849	5,308,434	13,697,498
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,154,780)	(3,993,516)	1,473,481	(538,081)
Effects of foreign exchange rates changes	213,308	931,964	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	21,861,915	24,923,467	258,040	796,121
CASH AND CASH EQUIVALENTS AT END	16,920,443	21,861,915	1,731,521	258,040
Represented by:				
Fixed deposits with licensed banks	151,588	3,326,485	33,882	32,799
Cash and bank balances	16,768,855	18,535,430	1,697,639	225,241
	16,920,443	21,861,915	1,731,521	258,040

The notes set out on pages 50 to 95 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
(i) Cash flows on acquisition of a subsidiary				
Property, plant and equipment	-	341,495	-	-
Receivables	-	2,668,105	-	-
Cash and bank balances	-	65,872	-	-
Payables	-	(1,048,305)	-	-
Net assets	-	2,027,167	-	-
Less: Non-controlling interest	-	(810,867)	-	-
Share of net assets acquired	-	1,216,300	-	-
Goodwill on consolidation (Note 6)	-	15,955,400	-	-
Total purchase consideration	-	17,171,700	-	-
Less: Cash and bank balances	-	(65,872)	-	-
Cash flows on acquisition of a subsidiary	-	17,105,828	-	-
(ii) Purchase of property, plant and equipment				
Total acquisition costs	3,442,260	2,726,191	-	437,841
Acquired under finance lease	(1,631,830)	(785,831)	-	-
Total cash acquisition	1,810,430	1,940,360	-	437,841

The notes set out on pages 50 to 95 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. GENERAL INFORMATION

General

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 April 2017.

Principal Activities

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies as set out in Note 3.

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

2.3 Functional and Presentation Currency

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

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

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

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

Effective for annual periods beginning on or after 1 January 2016

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101 Disclosure Initiative

Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

Amendments to MFRS 127 Equity Method in Separate Financial Statements

Annual Improvements to MFRS 2012-2014 Cycle

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

2.5 **Standards Issued But Not Yet Effective**

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

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 2014-2016 Cycle)

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

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

MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

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

Amendments to MFRS 140 Investment Property: Transfer 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 Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

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 impact to the financial statements of the Group and of the Company upon adoption except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 replaces *MFRS 139 Financial Instruments: Recognition and Measurement* and all previous version of *MFRS 9*. This new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of *MFRS 9*, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of *MFRS 9*, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's and the Company's investment in unquoted shares, if any, will be measured at fair value through other comprehensive income.

The adoption of *MFRS 9* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 9*.

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

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

MFRS 15 Revenue from Contracts with Customers

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

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

MFRS 16 Leases

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

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

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

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

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

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure to be provided by the Group and by the Company.

2.6 **Significant Accounting Estimates and Judgements**

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

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

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

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

2.6.1 **Judgements made in applying accounting policies**

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

2.6.2 **Key sources of estimation uncertainty**

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

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

Plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 2 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. A reduction in the estimated useful lives of the plant and equipment would increase the depreciation charge and decrease the non-current assets.

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

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

(iii) **Impairment of goodwill**

The Group determines whether goodwill is impaired at least once a year or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. This requires an estimation of the value in use of the cash-generating units ("CGU") to which the goodwill is allocated. Estimating a value in use amount requires the management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) **Inventories**

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

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

(ii) Business combination

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

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

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

(iv) **Loss of control**

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

(v) **Non-controlling interests**

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

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

(vi) **Transactions eliminated on consolidation**

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

3.2 **Property, Plant and Equipment**

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

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

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

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

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

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

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

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

3.3 **Leases**

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

Finance lease

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Operating leases

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

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

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

3.4 **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.

3.5 **Impairment of Non-Financial Assets**

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

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

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

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

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

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

3.6 **Financial Instruments**

3.6.1 **Initial recognition and measurement**

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

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

3.6.2 **Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

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

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

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

All financial assets are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

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

3.6.3 **Financial guarantee contracts**

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

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

3.6.4 **Offsetting of financial instruments**

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

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

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

3.6.5 **Derecognition**

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

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

3.7 **Impairment of Financial Assets**

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

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

3.8 **Cash and Cash Equivalents**

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

3.9 **Non-current Assets Held for Sale**

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

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

3.10 **Inventories**

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

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

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

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

3.11 **Provisions**

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

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

3.12 **Borrowing Costs**

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

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

3.13 **Income Recognition**

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 bases:

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

3.14 **Employee Benefits**

Short term benefits

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

Defined contribution plans

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

Employee share option scheme

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

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

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

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

3.15 **Income Tax**

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

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

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

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

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

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

3.16 **Goods and Services Tax**

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

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

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

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

3.17 **Foreign Currency Translations**

Foreign currency transactions

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

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

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

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

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

3.17 **Foreign Currency Translations (Cont'd)**

Foreign currency transactions (cont'd)

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.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation 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 foreign currency translation reserve 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 foreign currency translation reserve in equity.

3.18 **Irredeemable Convertible Unsecured Loan Stocks ("ICULS")**

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

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

3.19 **Warrants**

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Segment Reporting

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

3.22 Contingencies

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

3.23 Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

3.24 Related Parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

Group

2016	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
At cost										
Balance at beginning	1,704,146	5,098,453	42,831,544	75,508,650	7,003,843	4,006,243	3,817,072	219,301	1,273,556	141,462,808
Additions	-	-	342,280	2,834,302	248,384	11,712	-	5,582	-	3,442,260
Disposals	-	-	-	(1,120,932)	(65,686)	-	(629,156)	-	-	(1,815,774)
Written off	-	-	-	(525,935)	(21,770)	(960,555)	-	(126,525)	-	(1,634,785)
Foreign currency translation	-	-	-	-	18,566	-	(400)	(4,153)	-	14,013
Balance at end	1,704,146	5,098,453	43,173,824	76,696,085	7,183,337	3,057,400	3,187,516	94,205	1,273,556	141,468,522
Accumulated depreciation										
Balance at beginning	-	957,698	5,892,947	44,715,598	5,087,732	2,917,748	3,189,899	115,278	-	62,876,900
Current charge	-	86,439	785,342	3,283,609	499,870	129,282	234,326	26,773	-	5,045,641
Disposals	-	-	-	(1,091,946)	(60,851)	-	(619,825)	-	-	(1,772,622)
Written off	-	-	-	(362,379)	(20,686)	(918,208)	-	(54,234)	-	(1,355,507)
Foreign currency translation	-	-	-	-	9,766	-	(34)	(1,030)	-	8,702
Balance at end	-	1,044,137	6,678,289	46,544,882	5,515,831	2,128,822	2,804,366	86,787	-	64,803,114
Accumulated impairment loss										
Balance at beginning	-	-	2,818,435	10,529,301	-	272,010	-	-	959,556	14,579,302
Current charge	-	-	-	1,479,857	-	-	-	-	-	1,479,857
Written off	-	-	-	-	-	(3,057)	-	-	-	(3,057)
Balance at end	-	-	2,818,435	12,009,158	-	268,953	-	-	959,556	16,056,102
Carrying amount										
	1,704,146	4,054,316	33,677,100	18,142,045	1,667,506	659,625	383,150	7,418	314,000	60,609,306

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

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

Group	2015	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
At cost											
Balance at beginning	1,704,146	7,033,470	49,116,844	90,610,032	11,176,742	3,961,609	3,746,186	88,168	1,273,556	168,710,753	
Acquisition of a subsidiary	-	-	-	-	288,000	-	-	113,200	-	401,200	
Additions	-	-	1,014,020	1,145,683	419,729	72,000	70,886	3,873	-	2,726,191	
Disposals	-	-	-	(68,251)	(55,858)	-	-	-	-	-	(124,109)
Written off	-	-	-	(16,178,814)	(4,860,633)	-	-	-	-	-	(21,039,447)
Reclassified to non-current assets held for sale	-	(1,935,017)	(7,299,320)	-	-	(27,366)	-	-	-	-	(9,261,703)
Foreign currency translation	-	-	-	-	35,863	-	-	-	14,060	-	49,923
Balance at end	1,704,146	5,098,453	42,831,544	75,508,650	7,003,843	4,006,243	3,817,072	219,301	1,273,556	141,462,808	
Accumulated depreciation											
Balance at beginning	-	1,286,139	6,912,398	56,145,672	9,474,305	2,717,745	2,778,916	85,316	-	-	79,400,491
Acquisition of a subsidiary	-	-	-	-	42,763	-	-	16,942	-	-	59,705
Current charge	-	113,667	916,757	3,909,617	420,434	222,982	410,983	10,944	-	-	6,005,384
Disposals	-	-	-	(19,907)	-	-	-	-	-	-	(19,907)
Written off	-	-	-	(15,319,784)	(4,855,006)	-	-	-	-	-	(20,174,790)
Reclassified to non-current assets held for sale	-	(442,108)	(1,936,208)	-	-	(22,979)	-	-	-	-	(2,401,295)
Foreign currency translation	-	-	-	-	5,236	-	-	-	2,076	-	7,312
Balance at end	-	957,698	5,892,947	44,715,598	5,087,732	2,917,748	3,189,899	115,278	-	-	62,876,900
Accumulated impairment loss											
Balance at beginning	-	-	2,818,435	11,226,906	-	275,821	-	-	-	-	14,321,162
Current charge	-	-	-	-	-	-	-	-	-	959,556	959,556
Written off	-	-	-	(697,605)	-	-	-	-	-	-	(697,605)
Reclassified to non-current assets held for sale	-	-	-	-	-	(3,811)	-	-	-	-	(3,811)
Balance at end	-	-	2,818,435	10,529,301	-	272,010	-	-	-	959,556	14,579,302
Carrying amount	1,704,146	4,140,755	34,120,162	20,263,751	1,916,111	816,485	627,173	104,023	314,000	64,006,606	

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

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

Company

	Leasehold land RM	Buildings RM	Plant, machinery and moulds RM	Furniture, fittings and office equipment RM	Electrical installation RM	Motor vehicles RM	Total RM
2016							
At cost							
Balance at beginning	800,000	5,125,527	-	-	649,835	154,771	6,730,133
Written off	-	-	-	-	(227,107)	-	(227,107)
Balance at end	800,000	5,125,527	-	-	422,728	154,771	6,503,026
Accumulated depreciation							
Balance at beginning	218,965	1,408,528	-	-	641,670	154,767	2,423,930
Current charge	13,333	102,510	-	-	29	-	115,872
Written off	-	-	-	-	(223,899)	-	(223,899)
Balance at end	232,298	1,511,038	-	-	417,800	154,767	2,315,903
Accumulated impairment loss							
Balance at beginning	-	-	-	-	7,967	-	7,967
Written off	-	-	-	-	(3,057)	-	(3,057)
Balance at end	-	-	-	-	4,910	-	4,910
Carrying amount	567,702	3,614,489	-	-	18	4	4,182,213
2015							
At cost							
Balance at beginning	2,170,017	11,056,847	23,526,675	4,855,792	677,201	154,771	42,441,303
Additions	-	433,000	-	4,841	-	-	437,841
Disposals	-	-	(7,517,034)	-	-	-	(7,517,034)
Reclassified to non-current assets held for sale	(1,370,017)	(6,364,320)	-	-	(27,366)	-	(7,761,703)
Written off	-	-	(16,009,641)	(4,860,633)	-	-	(20,870,274)
Balance at end	800,000	5,125,527	-	-	649,835	154,771	6,730,133
Accumulated depreciation							
Balance at beginning	591,495	2,993,900	21,636,709	4,854,232	664,379	154,764	30,895,479
Current charge	33,992	213,955	226,213	774	270	3	475,207
Disposals	-	-	(6,712,310)	-	-	-	(6,712,310)
Reclassified to non-current assets held for sale	(406,522)	(1,799,327)	-	-	(22,979)	-	(2,228,828)
Written off	-	-	(15,150,612)	(4,855,006)	-	-	(20,005,618)
Balance at end	218,965	1,408,528	-	-	641,670	154,767	2,423,930
Accumulated impairment loss							
Balance at beginning	-	-	1,434,454	-	11,778	-	1,446,232
Disposals	-	-	(736,849)	-	-	-	(736,849)
Reclassified to non-current assets held for sale	-	-	-	-	(3,811)	-	(3,811)
Written off	-	-	(697,605)	-	-	-	(697,605)
Balance at end	-	-	-	-	7,967	-	7,967
Carrying amount	581,035	3,716,999	-	-	198	4	4,298,236

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

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

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

	GROUP	
	2016 RM	2015 RM
Leasehold land	-	309,215
Buildings	-	1,129,609
	-	1,438,824

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

	GROUP	
	2016 RM	2015 RM
Plant, machinery and moulds	2,934,914	3,310,999
Motor vehicles	326,064	523,185
Office equipment	-	137,551
	3,260,978	3,971,735

The leased assets are pledged as security for the related finance lease liabilities (Note 18).

- (iii) During the financial year under review, the management has carried out an impairment review on a subsidiary's assets and found that there was impairment indication on certain plant and machinery due to a change in circumstances. Following the impairment assessment, in respect of the identified assets, the management foresees that no future economic benefit will flow to the subsidiary in the foreseeable future and concluded that their carrying amounts may not be recoverable. Therefore, the carrying amount of these assets amounting to RM1,479,857 was fully impaired during the financial year.

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2016 RM	2015 RM
Unquoted shares, at cost	188,583,116	188,583,116
Less: Accumulated impairment loss		
Balance at beginning	(59,460,325)	(39,741,552)
Current year	(17,171,699)	(19,718,773)
Balance at end	(76,632,024)	(59,460,325)
	111,951,092	129,122,791

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

Name of entity	Effective equity interest		Principal activities
	2016 %	2015 %	
Direct			
Luster Precision Engineering Sdn. Bhd.	100	100	Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products.
Luster Plastic Industries Sdn. Bhd.	100	100	Dormant.

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of entity	Effective equity interest		Principal activities
	2016 %	2015 %	
Direct			
Luster Manufacturing Sdn. Bhd.	100	100	Investment holding.
Luster Chi Wo Sdn. Bhd.	51	51	Dormant.
Winco Precision Engineering (Melaka) Sdn. Bhd.	100	100	Precision engineering work and manufacturing of die-casting components.
Winco Precision Technologies Sdn. Bhd.	80	80	Dormant.
Exzone Plastics Manufacturers Sdn. Bhd.	100	100	Manufacturing of plastic injection moulded parts, sub-assembly of plastic parts and provision of its related services.
* Pan Cambodian Lottery Corporation Limited (Incorporated in Cambodia)	60	60	Lottery operator in Cambodia.
Indirect - held through Luster Precision Engineering Sdn. Bhd.			
* Luster Seweon Sdn. Bhd.	70	70	Dormant.
* Pembinaan LSP Jaya Sdn. Bhd.	100	100	Property developer.
Indirect - held through Luster Plastic Industries Sdn. Bhd.			
Linpower Resources Sdn. Bhd.	100	100	Temporarily ceased operations of mining minerals.
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	-	Property developer.
* Not audited by Grant Thornton.			

5.1 Changes in Group structure

2016

On 1 February 2016, a wholly-owned subsidiary of the Company, Luster Precision Engineering Sdn. Bhd. (LPE) subscribed for additional 999,998 ordinary shares of RM1 each in Pembinaan LSP Jaya Sdn. Bhd. (PLSP) for a cash consideration of RM999,998.

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

5.1 Changes in Group structure (cont'd)

2015

On 30 April 2015, the Company acquired 60% equity interest in Pan Cambodian Lottery Corporation Limited (PCL) for a cash consideration of USD4,200,000 pursuant to a Sale of Shares Agreement.

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

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

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

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

5.2 Subsidiary with non-controlling interests

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

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

	2016 RM	2015 RM
Non-current assets	222,669	322,316
Current assets	2,867,331	4,241,339
Current liabilities	(913,763)	(448,175)
Net assets	<u>2,176,237</u>	<u>4,115,480</u>
Revenue	1,851,466	8,436,844
Net (loss)/profit, representing total comprehensive (loss)/income for the financial year/period	<u>(1,957,264)</u>	<u>2,143,081</u>
Net cash generated (used in)/from:		
Operating activities	(289,808)	111,964
Investing activities	(67,192)	20,764
Financing activities	289,893	-
Net change in cash and cash equivalents	<u>(67,107)</u>	<u>132,728</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

6. GOODWILL ON CONSOLIDATION

	GROUP	
	2016 RM	2015 RM
Balance at beginning	25,250,788	20,729,268
Recognised during the financial year	-	15,955,400
Impairment loss	(16,658,918)	(12,137,398)
Currency translation difference	-	703,518
Balance at end	8,591,870	25,250,788

Impairment test on goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs identified as follows:

	GROUP	
	2016 RM	2015 RM
Manufacturing	8,591,870	8,591,870
Gaming & leisure	-	16,658,918
	8,591,870	25,250,788

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

Pre-tax discount rate at **9.20%** (2015: 9.10%) was applied to the calculations in determining the recoverable amount of the CGUs. The discount rate is estimated based on the weighted average cost of capital of the Group for the financial year.

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

Following management's assessment, certain CGUs are carried in excess of their fair value in use and impairment is recognised amounting to **RM16,658,918** (2015: RM12,137,398) for the CGU within the gaming & leisure segment during the current financial year and the CGU within the manufacturing segment (manufacturing of plastic related parts) in the previous financial year. The impairment charge is recorded within administrative expenses in the Group's profit or loss.

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

7. PROPERTY DEVELOPMENT COSTS

	GROUP	
	2016 RM	2015 RM
At cost:		
Development costs incurred during the financial year	6,616,988	-
Reclassified from prepayments (Note 10.2(c))	3,278,200	-
	9,895,188	-

On 9 March 2016, PLSP, an indirect wholly-owned subsidiary entered into a Tripartite Agreement (the 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 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 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. As for PLSP, it has been given the rights to complete the development project along with public facilities and necessary infrastructure.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

7. PROPERTY DEVELOPMENT COSTS (CONT'D)

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.

8. INVENTORIES

	GROUP	
	2016 RM	2015 RM
Raw materials	4,976,468	5,994,783
Work-in-progress	2,669,700	2,439,672
Finished goods	4,650,154	5,000,325
Consumables	253,202	284,061
	12,549,524	13,718,841

The cost of inventories recognised as cost of sales during the financial year amounted to **RM88,275,896** (2015: RM90,504,588).

9. TRADE RECEIVABLES

	GROUP	
	2016 RM	2015 RM
Trade receivables	26,832,898	27,159,554
Less: Accumulated impairment loss		
Balance at beginning	(1,791,077)	(1,206,741)
Current year	-	(993,477)
Written off	-	409,141
Balance at end	(1,791,077)	(1,791,077)
	25,041,821	25,368,477

The currency profile of trade receivables is as follows:

	GROUP	
	2016 RM	2015 RM
Ringgit Malaysia	16,588,475	19,570,085
US Dollar	6,662,707	4,352,050
Singapore Dollar	1,342,775	1,408,100
Cambodian Riel	446,771	36,709
Euro	1,093	1,533
	25,041,821	25,368,477

The normal credit terms granted to trade receivables range from **30 to 120 days** (2015: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in the Group's trade receivables is an amount of **RM181,846** (2015: RM129,758) due from a company in which persons connected to certain directors of the Company have substantial financial interest.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	GROUP		COMPANY	
		2016 RM	2015 RM	2016 RM	2015 RM
Other receivables		1,634,831	758,664	463,850	143,850
Less: Accumulated impairment loss		(252,449)	(252,449)	-	-
		1,382,382	506,215	463,850	143,850
Stakeholder sum	10.1	6,000,000	-	6,000,000	-
GST claimable		414,027	481,458	-	-
Deposits and prepayments	10.2	8,994,022	12,871,305	124,734	133,854
Less: Accumulated impairment loss		(4,155,935)	-	-	-
		4,838,087	12,871,305	124,734	133,854
		12,634,496	13,858,978	6,588,584	277,704

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	9,922,055	9,405,581	6,588,584	277,704
US Dollar	2,712,441	4,453,397	-	-
	12,634,496	13,858,978	6,588,584	277,704

10.1 Stakeholder sum

The stakeholder sum is paid to a legal firm during the financial year. Refer Note 32 to the financial statements for details.

10.2 Deposits and prepayments

Included in deposits and prepayments are the following:

- Statutory deposit of **USD500,000** (2015: USD500,000) placed with the National Bank of Cambodia upon issuance of the gaming license by Ministry of Economy and Finance, Cambodia to PCL.
- Deposit of **RM Nil** (2015: RM2,500,000) paid by a wholly-owned subsidiary, Linpower Resources Sdn. Bhd. (LPR) to the mine owner pursuant to a Joint Venture Agreement (JV Agreement) on 17 June 2014. During the current financial year, the management has impaired the deposit in full as LPR has not generated any revenue from its mining activity since the execution of the JV Agreement.
- Consultancy fees of **RM Nil** (2015: RM3,278,200) paid for overall project management. The amount is reclassified to property development costs during the current financial year to form part of the development costs as disclosed in Note 7.
- Performance bond of **RM1,200,000** (2015: RM1,200,000) paid to KOHAMA which will be refunded upon completion of the development project disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

11. AMOUNT DUE FROM/TO SUBSIDIARIES

	COMPANY	
	2016 RM	2015 RM
Amount due from subsidiaries:		
Total amount	6,005,661	6,054,683
Less: Accumulated impairment loss	(1,220,779)	(1,220,779)
	4,784,882	4,833,904
Amount due to subsidiaries:		
Total amount *	11,670,936	6,442,980

* Included herein is an amount of **RM283,230** (2015: RM Nil) which is denominated in US Dollar.

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

12. FIXED DEPOSITS WITH LICENSED BANKS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Unencumbered	151,588	3,326,485	33,882	32,799
Pledged as security for banking facilities and finance lease granted to certain subsidiaries	4,128,929	4,042,248	-	-
	4,280,517	7,368,733	33,882	32,799

Included in the Group's fixed deposits is a deposit amounting to **RM117,706** (2015: RM114,812) placed in the name of a director of the Company, in trust for a subsidiary.

The effective interest rates per annum for the fixed deposits of the Group and of the Company as at the end of the reporting period range from **1.50% to 3.35%** (2015: 1.50% to 4.10%) and **3.30%** (2015: 3.30%) respectively.

13. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term funds with a licensed financial institution	3,737,681	4,790,104	-	-
Cash and bank balances	13,031,174	13,745,326	1,697,639	225,241
	16,768,855	18,535,430	1,697,639	225,241

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

13. CASH AND BANK BALANCES (CONT'D)

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	11,260,248	10,447,274	1,696,483	224,085
US Dollar	1,036,118	2,017,903	117	117
Singapore Dollar	4,347,725	6,055,541	1,017	1,017
Cambodian Riel	124,742	14,690	-	-
Others	22	22	22	22
	16,768,855	18,535,430	1,697,639	225,241

14. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Leasehold land and buildings:				
Balance at beginning	6,856,597	-	5,529,064	-
Reclassified from property, plant and equipment	-	6,856,597	-	5,529,064
Additions	161,679	-	161,679	-
Disposals	(5,208,011)	-	(3,880,478)	-
Balance at end	1,810,265	6,856,597	1,810,265	5,529,064

In the previous financial year, the Company and a subsidiary entered into several sale and purchase agreements to dispose of their properties. The subsidiary has completed the disposal of its properties while, the Company has yet to complete pending the fulfilment of a condition precedent and expects the disposal to be completed in the financial year ending 31 December 2017.

15. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised	2,500,000,000	2,500,000,000	250,000,000	250,000,000
Issued and fully paid				
Balance at beginning	1,731,908,910	1,574,322,010	173,190,891	157,432,201
Issuance pursuant to:				
Private placement	-	157,033,000	-	15,703,300
Conversion of ICULS	-	163,900	-	16,390
Exercise of share options	-	390,000	-	39,000
Balance at end	1,731,908,910	1,731,908,910	173,190,891	173,190,891

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

16. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Number of ICULS of RM0.10 each		Amount	
	2016	2015	2016 RM	2015 RM
Balance at beginning	4,734,600	4,898,500	473,460	489,850
Converted to ordinary shares	-	(163,900)	-	(16,390)
Balance at end	4,734,600	4,734,600	473,460	473,460

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

The main features of the ICULS are as follows:

- (i) The ICULS shall be convertible into ordinary shares of the Company during the period from 5 June 2012 to the maturity date on 5 June 2017 by surrendering one RM0.10 nominal value of ICULS for one new ordinary share of the Company.
- (ii) The new ordinary shares to be issued upon conversion of the ICULS, shall rank pari passu in all respects with the then existing ordinary shares of the Company, except that they shall not be entitled to any dividends, rights, allotments and other distributions, the entitlement date of which is prior to the allotment date of the new ordinary shares of the Company to be issued pursuant to the conversion of the ICULS.
- (iii) The conversion price of the ICULS are subject to adjustment in the event of any alteration in the Company's share capital on or before the maturity date in accordance with the provisions set out in the Trust Deed.

17. OTHER RESERVES

	Note	GROUP		COMPANY	
		2016 RM	2015 RM	2016 RM	2015 RM
Share premium		951,186	951,186	951,186	951,186
Foreign currency translation reserve	17.1	862,584	851,773	-	-
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)
ESOS reserve	17.3	1,589,667	1,760,534	1,589,667	1,760,534
Capital reserve	17.4	8,419,642	8,419,642	-	-
		11,823,079	11,983,135	2,540,853	2,711,720
Accumulated losses		(60,660,447)	(36,121,419)	(57,233,311)	(39,974,492)
		(48,837,368)	(24,138,284)	(54,692,458)	(37,262,772)

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. OTHER RESERVES (CONT'D)

17.2 Warrants reserve and Discount on shares

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

	Note	2016 RM	2015 RM
Warrants A expiring 3 June 2022	17.2(i)	12,493,076	12,493,076
Warrants B expiring 26 May 2023	17.2(ii)	10,125,000	10,125,000
		22,618,076	22,618,076

- (i) On 5 June 2012, the Company issued 441,594,505 10-year free detachable warrants 2012/2022 ("Warrants A") pursuant to the Company's restructuring exercise. The Warrants A are constituted by a deed poll dated 23 April 2012. The Warrants A are listed on Bursa Malaysia on 12 June 2012. During the financial year, no Warrants A were exercised. As at 31 December 2016, there was a total of 441,594,505 unexercised Warrants A.

The main features of the Warrants A are as follows:

- Each Warrant A entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share of RM0.10 each in the Company at an exercise price of RM0.10 per ordinary share.
 - The exercise price and the number of Warrants A are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll.
 - The Warrants A shall be exercisable at any time within the period commencing on and including the date of issue of the Warrants A until the last market day prior to the tenth anniversary of the date of issue of the Warrants A.
 - All new ordinary shares to be issued arising from the exercise of the Warrants A shall rank pari passu in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants A.
 - At the expiry of the exercise period, any Warrants A which have not been exercised will lapse and cease to be valid for any purpose.
- (ii) On 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 2016, there was a total of 216,000,000 unexercised Warrants B.

The main features of the Warrants B are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

17. OTHER RESERVES (CONT'D)

17.3 ESOS reserve

The ESOS reserve represents the equity-settled share option granted to employees of certain subsidiaries and the Group's directors. The share option reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the expiry or exercise of the share option.

17.4 Capital reserve

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

18. BORROWINGS

	GROUP	
	2016	2015
	RM	RM
Non-current liabilities		
<u>Finance lease liabilities</u>		
Minimum payments:		
Within one year	1,080,022	1,255,991
More than one year and less than two years	824,164	621,254
More than two years and less than five years	977,766	504,090
	2,881,952	2,381,335
Future finance charges	(263,711)	(160,433)
	2,618,241	2,220,902
Amount due within one year included under current liabilities	(945,947)	(1,160,511)
	1,672,294	1,060,391
<u>Term loan</u>		
Total amount payable	-	39,149
Amount due within one year included under current liabilities	-	(32,757)
	-	6,392
	1,672,294	1,066,783
Current liabilities		
Bankers acceptance	2,000,000	2,000,000
Finance lease liabilities	945,947	1,160,511
Term loan	-	32,757
	2,945,947	3,193,268
Total borrowings	4,618,241	4,260,051

The borrowings are secured by way of:

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

- * Discharged during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

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 RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM
GROUP					
2016					
Bankers acceptance	5.50 to 5.70	2,000,000	2,000,000	-	-
Finance lease liabilities	1.30 to 3.30	2,618,241	945,947	743,205	929,089
2015					
Bankers acceptance	5.36 to 5.40	2,000,000	2,000,000	-	-
Finance lease liabilities	1.38 to 3.50	2,220,902	1,160,511	577,510	482,881
Term loan	5.35	39,149	32,757	6,392	-

19. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Balance at beginning	2,100,000	1,452,001	658,000	-
Recognised in profit or loss	(240,000)	389,999	62,000	369,000
	1,860,000	1,842,000	720,000	369,000
(Over)/Under provision in prior year	(493,000)	258,000	(720,000)	289,000
Balance at end	1,367,000	2,100,000	-	658,000

The components of deferred tax (assets)/liabilities as at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Property, plant and equipment	1,367,000	2,128,000	-	658,000
Unabsorbed capital allowances	-	(28,000)	-	-
	1,367,000	2,100,000	-	658,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

20. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2016 RM	2015 RM
Ringgit Malaysia	10,560,225	8,463,298
US Dollar	1,959,963	771,178
Singapore Dollar	1,121,574	1,268,242
	13,641,762	10,502,718

The trade payables are non-interest bearing and is normally settled within **30 days to 60 days** (2015: 30 days to 60 days) credit terms.

Included in the Group's trade payables is an amount of **RM339,327** (2015: RM279,660) due to companies in which persons connected to certain directors of the Company have substantial financial interest.

21. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	3,177,370	2,801,627	100,668	379,504
GST payable	271,813	87,716	239,931	36,140
Accruals and provisions	3,230,005	3,334,025	73,377	222,532
* Deposits received	211,935	338,233	250,000	250,000
Prepayments	867,872	974,684	-	-
	7,758,995	7,536,285	663,976	888,176

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	7,074,654	7,015,789	663,976	888,176
US Dollar	361,128	510,269	-	-
Cambodian Riel	319,046	6,013	-	-
Other	4,167	4,214	-	-
	7,758,995	7,536,285	663,976	888,176

* Included herein is a deposit of **RM175,000** (2015: RM175,000) received from a purchaser in respect of the disposal of the Company's leasehold land and factory building as disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

22. REVENUE

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of goods	111,829,153	113,633,217	-	-
Sale of lottery tickets	1,851,466	3,985,519	-	-
Dividend income from a subsidiary	-	-	-	4,000,500
Rental income	-	-	300,000	300,000
Management fee	-	-	2,520,000	2,520,000
	113,680,619	117,618,736	2,820,000	6,820,500

23. LOSS BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging:				
Auditors' remuneration				
- Audit fee				
Statutory audit				
- Company's auditors	99,000	95,000	36,000	31,000
- Other auditors	26,600	22,865	-	-
- Non-audit fees				
Company's auditors	3,000	51,962	3,000	51,962
Bad debts	3,112	-	2,974	2,911
Depreciation	5,045,641	6,005,384	115,872	475,207
* Directors' remuneration for non-executive directors:				
- Allowance	20,000	22,000	20,000	22,000
- Fees	160,269	180,000	160,269	180,000
Impairment loss on goodwill on consolidation	16,658,918	12,137,398	-	-
Impairment loss on investment in subsidiaries	-	-	17,171,699	19,718,773
Impairment loss on property, plant and equipment	1,479,857	959,556	-	-
Impairment loss on trade receivables	-	993,477	-	-
Impairment loss on deposits and prepayments	4,155,935	-	-	-
Interest expense on:				
- Bankers acceptance	88,385	84,389	-	-
- Finance lease	121,556	153,113	-	-
- Term loan	1,213	2,866	-	-
Loss on disposal of property, plant and equipment	-	18,344	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

23. LOSS BEFORE TAX (CONT'D)

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Property, plant and equipment written off	276,221	167,052	151	167,051
Realised loss on foreign exchange	843,919	135,729	-	-
Rental expenses	587,749	758,428	-	-
Share-based compensation pursuant to ESOS granted	-	213,114	-	213,114
** Staff costs	23,980,539	24,570,105	1,820,067	1,804,618
And crediting:				
Gain on disposal of property, plant and equipment	39,697	-	-	144,429
Gain on disposal of non-current assets held-for-sale	791,989	-	119,522	-
Interest income	469,810	712,736	5,292	40,347
Realised gain on foreign exchange	-	741,186	-	-
Rental income	10,540	128,630	-	-
Unrealised gain on foreign exchange	246,779	920,348	34,430	-
Waiver of debts	26,289	-	-	-

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Present directors	163,000	202,000	163,000	202,000
Past director	17,269	-	17,269	-
	180,269	202,000	180,269	202,000

** Staff costs

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
- Wages, salaries, allowances, bonus and incentive	23,096,842	20,037,560	1,651,485	1,669,574
- EPF	1,332,382	1,318,877	149,790	175,544
- SOCSO	140,881	137,255	3,343	3,594
	24,570,105	21,493,692	1,804,618	1,848,712

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

23. 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors of the Company				
Salaries, allowances and incentive	1,557,836	1,466,732	1,557,836	1,408,300
EPF	131,176	122,736	131,176	122,736
Fee	140,000	168,000	140,000	168,000
	1,829,012	1,757,468	1,829,012	1,699,036
Executive directors of subsidiaries				
Salaries, allowances and incentive	1,255,553	889,735	-	-
EPF	89,490	69,136	-	-
	1,345,043	958,871	-	-
Benefits-in-kind				
- Executive directors of the Company	-	-	-	-
- Executive directors of subsidiaries	14,667	-	-	-
	14,667	-	-	-
	3,188,722	2,716,339	1,829,012	1,699,036
Represented by:				
Present directors	2,589,914	2,716,339	1,230,204	1,699,036
Past directors	598,808	-	598,808	-
	3,188,722	2,716,339	1,829,012	1,699,036

24. TAX (EXPENSE)/INCOME

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	(1,626,000)	(1,171,493)	(297,000)	(136,000)
- Deferred tax relating to the origination and reversal of temporary differences	177,999	(389,999)	(62,000)	(369,000)
	(1,448,001)	(1,561,492)	(359,000)	(505,000)
Over/(Under) provision in prior years				
- Current tax	(328,506)	(633,431)	(246,072)	(459,663)
- Deferred tax	555,000	(258,000)	720,000	(289,000)
	226,494	(891,431)	473,928	(748,663)
	(1,221,507)	(2,452,923)	114,928	(1,253,663)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2016

24. TAX (EXPENSE)/INCOME (CONT'D)

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

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Loss before tax	(24,273,180)	(14,844,391)	(17,544,614)	(17,352,639)
Income tax at Malaysian statutory tax rate of 24% (2015: 25%)	5,825,563	3,711,098	4,210,706	4,338,160
Effect of tax rate in foreign jurisdiction	(78,291)	92,061	-	-
Income not subject to tax	766,793	1,752,948	373,295	1,000,958
Expenses not deductible for tax purposes	(5,876,650)	(5,988,558)	(4,357,522)	(5,859,529)
Movements on net deferred tax assets not recognised	(2,085,416)	(1,099,313)	(585,479)	-
Changes in tax rate	-	(29,728)	-	15,411
	(1,448,001)	(1,561,492)	(359,000)	(505,000)
Over/(Under) provision in prior years	226,494	(891,431)	473,928	(748,663)
	(1,221,507)	(2,452,923)	114,928	(1,253,663)

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Property, plant and equipment	316,000	914,000	(585,000)	-
Unabsorbed tax losses	(6,546,000)	(5,900,000)	-	-
Unabsorbed capital allowances	(3,685,000)	(2,844,000)	-	-
Unabsorbed reinvestment allowance	(3,710,000)	(3,710,000)	-	-
Unabsorbed allowance for increased exports	(121,000)	(121,000)	-	-
Unabsorbed prospecting allowance	(127,000)	(127,000)	-	-
	(13,873,000)	(11,788,000)	(585,000)	-

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

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Unabsorbed tax losses	27,280,000	24,586,000	-	-
Unabsorbed capital allowances	15,350,000	11,899,000	-	46,000
Unabsorbed reinvestment allowance	15,458,000	15,458,000	-	-
Unabsorbed allowance for increased exports	504,000	504,000	-	-
Unabsorbed prospecting allowance	528,000	528,000	-	-

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25. LOSS PER SHARE

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

	GROUP	
	2016	2015
Loss for the financial year attributable to owners of the Company (RM)	(24,709,895)	(18,033,803)
Weighted average number of ordinary shares	1,731,908,910	1,580,290,137
Basic loss per shares (sen)	(1.43)	(1.14)

Diluted loss per ordinary share is not presented as the effect on the basic loss per share is anti-dilutive.

26. SEGMENTAL INFORMATION

Business Segments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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26. SEGMENTAL INFORMATION (CONT'D)

By business segments

	Manufacturing		Gaming & Leisure		Others		Elimination		Total	
	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM	2016 RM	2015 RM
Revenue										
External sales	111,829,153	113,633,217	1,851,466	3,985,519	-	-	-	-	113,680,619	117,618,736
Inter-segment sales	4,117,302	6,408,354	-	-	3,036,000	7,036,500	(7,153,302)	(13,444,854)	-	-
Total revenue	115,946,455	120,041,571	1,851,466	3,985,519	3,036,000	7,036,500	(7,153,302)	(13,444,854)	113,680,619	117,618,736
Results										
Segment results	(2,863,537)	(1,776,831)	(1,957,265)	1,841,222	(20,340,802)	(15,245,578)	629,767	(135,572)	(24,531,837)	(15,316,759)
Interest income	461,625	668,741	-	-	30,641	50,803	(22,455)	(6,808)	469,811	712,736
Interest expense	(233,609)	(247,176)	-	-	-	-	22,455	6,808	(211,154)	(240,368)
Tax expense	(1,083,522)	(1,076,262)	-	-	48,135	(1,304,471)	(186,120)	(72,190)	(1,221,507)	(2,452,923)
(Loss)/Profit for the financial year	(3,719,043)	(2,431,528)	(1,957,265)	1,841,222	(20,262,026)	(16,499,246)	443,647	(207,762)	(25,494,687)	(17,297,314)
Assets										
Segment assets	112,526,073	116,425,931	2,960,757	1,016,141	154,129,599	168,471,078	(138,483,959)	(156,852,863)	131,132,470	149,060,287
Current tax assets	997,687	898,928	-	-	259,450	87,140	-	-	1,257,137	986,068
Fixed deposits with licensed banks	4,128,929	7,221,122	-	-	151,588	147,611	-	-	4,280,517	7,368,733
Cash and bank balances	14,617,067	17,811,373	129,243	206,432	2,022,545	517,625	-	-	16,768,855	18,535,430
Total assets	132,269,756	142,357,354	3,090,000	21,222,573	156,563,182	169,223,454	(138,483,959)	(156,852,863)	153,438,979	175,950,518
Liabilities										
Segment liabilities	26,332,660	24,185,528	913,763	448,175	28,711,691	17,885,412	(34,557,357)	(24,480,112)	21,400,757	18,039,003
Deferred tax liabilities	1,921,441	2,179,629	-	-	516,776	1,177,706	(1,071,217)	(1,257,335)	1,367,000	2,100,000
Borrowings	4,618,241	4,260,051	-	-	-	-	-	-	4,618,241	4,260,051
Current tax liabilities	328,722	352,537	-	-	28,669	26,669	-	-	357,391	379,206
Total liabilities	33,201,064	30,977,745	913,763	448,175	29,257,136	19,089,787	(35,628,574)	(25,737,447)	27,743,389	24,778,260
Other information										
Additions to non-current assets	3,462,937	2,406,078	88,938	35,094	76,066	497,323	(185,681)	(212,304)	3,442,260	2,726,191
Depreciation	4,739,663	5,423,526	107,442	41,029	198,536	534,402	-	6,427	5,045,641	6,005,384
Non-cash expenses/(income) other than depreciation	780,950	112,204	1,706,840	-	18,981,485	17,331,126	14	(3,874,737)	21,469,289	13,568,593

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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26. SEGMENTAL INFORMATION (CONT'D)

- A Inter-segment revenues are eliminated on consolidation.
- B Additions to non-current assets consists of total cost incurred during the financial year to acquire property, plant and equipment.
- C Other non-cash expenses/(income) consist of the following items:

	2016 RM	2015 RM
Bad debts	3,112	-
(Gain)/Loss on disposal of property, plant and equipment	(39,697)	18,344
Gain on disposal of non-current assets held for sale	(791,989)	
Impairment loss on goodwill on consolidation	16,658,918	12,137,398
Impairment loss on property, plant and equipment	1,479,857	959,556
Impairment loss on trade receivables	-	993,477
Impairment loss on deposits and prepayments	4,155,935	-
Property, plant and equipment written off	276,221	167,052
Share-based compensation pursuant to ESOS granted	-	213,114
Unrealised gain on foreign exchange	(246,779)	(920,348)
Waiver of debts	(26,289)	-
	21,469,289	13,568,593

Information about major customers

Total revenue from 2 (2015: 2) major customers which individually contributed to 10% or more of the Group's revenue from the manufacturing segment, amounted to **RM38,876,760** (2015: RM37,523,785).

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	70,398,341	82,792,338	68,978,507	88,935,078
Singapore	18,596,170	16,987,813	-	-
Australia	6,069,048	3,173,281	-	-
United Kingdom	10,284,269	8,443,505	-	-
Cambodia	1,851,466	3,985,519	222,669	322,316
Other countries	6,481,325	2,236,280	-	-
	113,680,619	117,618,736	69,201,176	89,257,394

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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27. COMMITMENTS

(i) Capital commitment

	GROUP	
	2016	2015
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	211,297	-

(ii) Other commitments

The balance commitments payable pursuant to:

	GROUP	
	2016	2015
	RM	RM
* - Shareholders' Agreement	-	2,721,800
- Joint Venture Agreement (Note 10.2(b))	1,500,000	1,500,000
- Tripartite Agreement (Note 7)	3,710,000	-
	5,210,000	4,221,800

* Shareholders' Agreement rescinded following the execution of the Tripartite Agreement disclosed in Note 7.

28. 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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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28. RELATED PARTY DISCLOSURES

(ii) Related party transactions

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Rental income	-	-	300,000	300,000
Management fees charged to subsidiaries	-	-	2,520,000	2,520,000
Dividend income from a subsidiary	-	-	-	4,000,500
Sale of property, plant and equipment to a subsidiary	-	-	-	212,304
Purchases from related parties:				
- Premierpath Sdn. Bhd.	6,588	6,015	-	-
- Durachem (Penang) Sdn. Bhd.	1,220,463	811,473	-	-
- Shun Fa Sdn. Bhd.	16,950	13,260	-	-
Sales to a related party, Gem Spektra Sdn. Bhd.	147,573	405,301	-	-
Subcontractor fee charged by a related party, Gem Spektra Sdn. Bhd.	280	13,037	-	-
Sale of motor vehicles to certain directors of a subsidiary	2	-	-	-

(iii) Compensation of key management personnel

The Group and the Company have no other members of key management personnel apart from the Board of Directors whose compensation has been shown in Note 23.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

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

	Carrying amount RM	L&R RM	FL RM
GROUP			
2016			
Financial assets			
Trade receivables	25,041,821	25,041,821	-
Other receivables and refundable deposits	12,125,162	12,125,162	-
Fixed deposits with licensed banks	4,280,517	4,280,517	-
Cash and bank balances	16,768,855	16,768,855	-
	58,216,355	58,216,355	-
Financial liabilities			
Borrowings	4,618,241	-	4,618,241
Trade payables	13,641,762	-	13,641,762
Other payables and accruals	6,891,123	-	6,891,123
	25,151,126	-	25,151,126

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM	FL RM
GROUP			
2015			
Financial assets			
Trade receivables	25,368,477	25,368,477	-
Other receivables and refundable deposits	6,959,302	6,959,302	-
Fixed deposits with licensed banks	7,368,733	7,368,733	-
Cash and bank balances	18,535,430	18,535,430	-
	<u>58,231,942</u>	<u>58,231,942</u>	-
Financial liabilities			
Borrowings	4,260,051	-	4,260,051
Trade payables	10,502,718	-	10,502,718
Other payables and accruals	5,886,601	-	5,886,601
	<u>20,649,370</u>	-	<u>20,649,370</u>
COMPANY			
2016			
Financial assets			
Other receivables and refundable deposits	6,548,300	6,548,300	-
Amount due from subsidiaries	4,784,882	4,784,882	-
Fixed deposits with licensed banks	33,882	33,882	-
Cash and bank balances	1,697,639	1,697,639	-
	<u>13,064,703</u>	<u>13,064,703</u>	-
Financial liabilities			
Other payables and accruals	663,976	-	663,976
Amount due to subsidiaries	11,670,936	-	11,670,936
	<u>12,334,912</u>	-	<u>12,334,912</u>
2015			
Financial assets			
Other receivables and refundable deposits	222,300	222,300	-
Amount due from subsidiaries	4,833,904	4,833,904	-
Fixed deposits with licensed banks	32,799	32,799	-
Cash and bank balances	225,241	225,241	-
	<u>5,314,244</u>	<u>5,314,244</u>	-
Financial liabilities			
Other payables and accruals	888,176	-	888,176
Amount due to subsidiaries	6,442,980	-	6,442,980
	<u>7,331,156</u>	-	<u>7,331,156</u>

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management

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

29.3 Credit risk

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

29.3.1 Trade receivables

The Group gives its customers credit terms that range between **30 to 120 days** (2015: 30 to 120 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's exposure to bad debts is not significant.

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

	Gross RM	Impairment loss RM	Net RM
GROUP			
2016			
Not past due	17,073,866	-	17,073,866
1 to 60 days past due	7,835,585	-	7,835,585
61 to 120 days past due	106,494	-	106,494
Past due more than 120 days	1,816,953	(1,791,077)	25,876
	9,756,032	(1,791,077)	7,967,955
	26,832,898	(1,791,077)	25,041,821
2015			
Not past due	16,769,969	-	16,769,969
1 to 60 days past due	8,010,538	-	8,010,538
61 to 120 days past due	217,445	-	217,445
Past due more than 120 days	2,161,602	(1,791,077)	370,525
	10,389,585	(1,791,077)	8,598,508
	27,159,554	(1,791,077)	25,368,477

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Credit risk (Cont'd)

29.3.1 Trade receivables (cont'd)

The Group has trade receivables amounting to **RM7,967,955** (2015: RM8,598,508) 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** (2015: 1 customer) representing **29%** (2015: 28%) of the total trade receivables.

29.3.2 Intercompany balances

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

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

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

29.3.3 Financial guarantees

The Company has issued unsecured financial guarantees to licensed financial institutions for banking facilities granted to certain subsidiaries up to a limit of **RM3,407,176** (2015: RM3,697,146). The maximum exposure to credit risk is amounted to **RM2,169,922** (2015: RM1,376,089), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

29.4 Liquidity risk

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

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29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Liquidity risk (Cont'd)

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

	Carrying amount RM	Contractual cash flow RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM
GROUP					
2016					
<i>Non-derivative financial liabilities</i>					
Interest bearing borrowings	4,618,241	4,881,952	3,080,022	824,164	977,766
Trade payables	13,641,762	13,641,762	13,641,762	-	-
Other payables and accruals	6,891,123	6,891,123	6,891,123	-	-
	25,151,126	25,414,837	23,612,907	824,164	977,766
2015					
<i>Non-derivative financial liabilities</i>					
Interest bearing borrowings	4,260,051	4,421,831	3,290,047	627,694	504,090
Trade payables	10,502,718	10,502,718	10,502,718	-	-
Other payables and accruals	5,886,601	5,886,601	5,886,601	-	-
	20,649,370	20,811,150	19,679,366	627,694	504,090
COMPANY					
2016					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	663,976	663,976	663,976	-	-
Amount due to subsidiaries	11,670,936	11,670,936	11,670,936	-	-
* Financial guarantee	-	2,169,922	2,169,922	-	-
	12,334,912	14,504,834	14,504,834	-	-
2015					
<i>Non-derivative financial liabilities</i>					
Other payables and accruals	888,176	888,176	888,176	-	-
Amount due to subsidiaries	6,442,980	6,442,980	6,442,980	-	-
* Financial guarantee	-	1,376,089	1,376,089	-	-
	7,331,156	8,707,245	8,707,245	-	-

* This liquidity risk exposure is included for illustration purpose only as the related financial guarantee has not crystallised.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 Interest rate risk

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

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Financial assets	4,280,517	7,368,733	33,882	32,799
Financial liabilities	2,618,241	2,220,902	-	-
Floating rate instruments				
Financial assets	3,737,681	4,790,104	-	-
Financial liabilities	2,000,000	2,039,149	-	-

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have reduced the Group's loss before tax by **RM3,432** (2015: RM38,978) and a corresponding decrease would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

29.6 Foreign currency risk

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

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

The Company is not significantly exposed to foreign currency risk as transactions denominated in foreign currency are not material.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Foreign currency risk (Cont'd)

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

	Denominated in		
	USD RM	SGD RM	OTHERS RM
GROUP			
2016			
Trade receivables	6,662,707	1,342,775	1,093
Other receivables	2,712,441	-	-
Cash and bank balances	1,036,118	4,347,725	22
Trade payables	(1,959,963)	(1,121,574)	-
Other payables	(361,128)	-	(4,167)
	8,090,175	4,568,926	(3,052)
2015			
Trade receivables	4,352,050	1,408,100	1,533
Other receivables	4,453,397	-	-
Cash and bank balances	2,017,903	6,055,541	22
Trade payables	(771,178)	(1,268,242)	-
Other payables	(510,269)	-	(4,214)
	9,541,903	6,195,399	(2,659)

Sensitivity analysis for foreign currency risk

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

	GROUP	
	2016 RM	2015 RM
USD	809,018	954,190
SGD	456,893	619,540
Other currencies	(305)	(266)
Increase in loss before tax	1,265,606	1,573,464

29.7 Fair value of financial instruments

The carrying amounts of the Group's and of the Company's cash and cash equivalents, short term receivables, payables and borrowings as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period. The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to the insignificant impact of discounting.

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30. CAPITAL MANAGEMENT

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

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

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

31. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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

The salient features of the ESOS are as follows:

- (i) The total number of new ordinary shares which are available to be issued under the ESOS shall not exceed fifteen percent (15%) of the total issued and fully paid-up share capital of the Company at any time.
- (ii) Any employee or director of any company comprised in the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is in full-time employment and, has been given notification in writing by the company that he/she is a confirmed employee.
- (iii) The option price shall be determined on the 5-day weighted average market price of the Company's shares as quoted on Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the Date of Offer or at par, whichever is higher.
- (iv) The new ordinary shares to be issued and allotted upon the exercise of the option will upon allotment and issuance rank pari passu in all respect with the then existing issued and fully paid-up shares of the Company, except that the new ordinary shares so issued will not be entitled for any rights, dividend, allotments and other distributions which may be declared unless the new ordinary shares so allotted have been credited into the relevant securities accounts maintained by Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

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

Grant date	Exercise price RM	Option over ordinary shares of RM0.10 each				Balance at 31.12.16
		Balance at 1.1.16	Granted and Accepted	Exercised	Lapsed	
15.6.12	0.10	66,026,000	-	-	(5,735,000)	60,291,000
29.8.14	0.105	11,250,000	-	-	(1,300,000)	9,950,000

The outstanding ESOS as at the end of the reporting period is exercisable at any point of time and the weighted average share price during the financial year is **RM0.10** (2015: RM0.10).

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

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

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

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

32. SIGNIFICANT EVENT

During the financial year, 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 International Ltd. (Citi-Champ). In response to the invitation, the Company paid 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.

As at the date of this report, the Company has an impending claim of RM6,000,000 against Citi-Champ, Citi-Champ's solicitor and the Company's former Managing Director, with a threatened counter claim by Citi-Champ of RM1,850,400 being excess of expenses incurred of RM4,850,400 by Citi-Champ, after off-setting against the refundable deposit of RM3,000,000.

33. SUBSEQUENT EVENTS

33.1 Agreement between Cosmo Property Management Sdn. Bhd. (Cosmo) and Pembinaan LSP Jaya Sdn. Bhd. (PLSP)

On 10 March 2017, PLSP entered into an agreement with Cosmo, for PLSP to take over a partially completed construction project which was awarded to Cosmo. PLSP will then appoint Cosmo as the sub-contractor to execute the construction works.

Pursuant to the agreement, PLSP has paid RM500,000 to Cosmo and following the payment, Cosmo has assigned and transferred all the rights and benefits of the said construction project to PLSP.

33.2 Proposed Private Placement

On 22 March 2017, the Company proposed to undertake a Private Placement which entails the issuance of up to 246,407,900 new ordinary shares of the Company (Placement Shares) to raise funds to support the Group's property development expenditure, working capital and to pay the estimated expenses in relation to the Proposed Private Placement. On 30 March 2017, Bursa Malaysia Securities Berhad has approved the listing of and quotation for up to 246,407,900 Placement Shares subject to certain conditions.

33.3 Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which the Companies Act 2016 comes into operation except Section 241 and Division 8 of Part III.

The financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act, 1965. Consequently, the items to be disclosed in the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

SUPPLEMENTARY INFORMATION

DISCLOSURE OF REALISED AND UNREALISED PROFITS/(LOSSES)

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Total accumulated losses of the Company and its subsidiaries:				
- Realised	(62,639,647)	(31,020,681)	(57,267,741)	(39,316,492)
- Unrealised	(1,120,221)	(1,179,652)	34,430	(658,000)
	(63,759,868)	(32,200,333)	(57,233,311)	(39,974,492)
Less: Consolidation adjustments	3,099,421	(3,921,086)	-	-
Total accumulated losses as per statements of financial position	(60,660,447)	(36,121,419)	(57,233,311)	(39,974,492)

LIST OF PROPERTIES

Details of properties of the Group are as follows:

	Description	Land Area (M ²)	Built-up Area (M ²)	Tenure	Date of Acquisition/ Revaluation* (Age of Building)	Carrying Amount @ 31.12.2016 RM
Lot 49 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH ^	Leasehold Land Factory Building	12,140	3,403	Leasehold period for 60 years expire on 2042	1994* 23	1,810,265
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* 34	4,182,195
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* 21	5,545,608
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* 21	2,060,137
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* 12	3,022,592
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* 12	12,278,107
Lot 38 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	12,141	9,637	Leasehold period for 60 years expire on 2050	2011* 26	5,602,031
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* 32	219,374
PN20143 Lot 4859 Mukim Cheng District of Melaka Tengah 75250 Melaka MELAKA	Leasehold Land Factory Building	1,230	1,720	Leasehold period for 99 years expire on 2096	2010* 8	1,409,068
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 6	216,244
HSD36462 Lot No. 3901 Mukim of Tanjong Minyak Melaka Tengah 75250 Melaka MELAKA	Freehold Land Factory Building	6,751	4,381	NA	2014 11	4,900,206

^ Classified as assets held for sale as at 31 December 2016

ANALYSIS OF SHAREHOLDINGS

AS AT 7 APRIL 2017

Issued and fully paid-up Share Capital	:	RM173,877,491.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	On show of hands - one vote for every shareholder On a poll - One vote for every ordinary share held

ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL 2017

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
1-99	60	1.02	2,324	0.00
100 to 1,000	230	3.91	113,155	0.01
1,001 to 10,000	999	16.98	6,937,494	0.40
10,001 to 100,000	3,075	52.26	158,551,221	9.12
100,001 to less than 5% of issued shares	1,519	25.81	1,456,135,716	83.74
5% and above of issued shares	1	0.02	117,033,000	6.73
Total	5,884	100.00	1,738,772,910	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 7 APRIL 2017

Name	Number of Shares Held			
	Direct	%	Deemed	%
Lim See Chea	88,051,457	5.06	4,638,885 ^{*®}	0.27
Suncity Entertainment Ltd	134,033,000	7.71	-	-
Wee Song He, Wilson	142,051,220	8.17	-	-

* Deemed interested by virtue of his shareholdings of more than 20% equity interest in the Luster Holdings Sdn. Bhd. pursuant to Section 8(4)(c) of the Companies Act, 2016 in the Company

® Deemed interested by virtue of the interest of his child in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016

DIRECTORS' SHAREHOLDINGS AS AT 7 APRIL 2017

Name	Number of Shares Held			
	Direct	%	Deemed	%
Tunku Datin Annie Dakhlah Binti Tuanku Munawir	-	-	-	-
Lim See Chea	88,051,457	5.06	4,638,885 ^{*®}	0.27
Lau Theng Chim	-	-	-	-
Liang Wooi Gee	22,022,857	1.27	400 [#]	^
Mohamed Shukri Bin Mohamed Zain	-	-	-	-
Wee Song He, Wilson	142,051,220	8.17	-	-

* Deemed interested by virtue of his shareholdings of more than 20% equity interest in the Luster Holdings Sdn. Bhd. pursuant to Section 8(4)(c) of the Companies Act, 2016 in the Company

® Deemed interested by virtue of the interest of his child in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016

Deemed interested by virtue of the interest of his spouse in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016

^ Negligible

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 7 APRIL 2017

THIRTY LARGEST SHAREHOLDERS AS AT 7 APRIL 2017

No.	NAME	HOLDINGS	%
1	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR EFG BANK AG (A/C CLIENT)	117,033,000	6.73
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SEE CHEA	85,452,600	4.91
3	WEE SONG HE, WILSON	76,521,220	4.40
4	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEE SONG HE WILSON	64,530,000	3.71
5	RESOLUTE ACCOMPLISHMENT SDN. BHD.	55,625,000	3.20
6	TANG KIAM HOW	33,350,000	1.92
7	TEH SEONG KIAM	28,900,000	1.66
8	BEH CHENG SIONG	25,600,000	1.47
9	LIM SEE MENG	22,384,600	1.29
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIANG WOOL GEE	22,000,000	1.27
11	RHB NOMINEES (TEMPATAN) SDN BHD KOH KWEE HWA	20,700,000	1.19
12	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SITI FATIMAH BINTI MOHD SHARIFF (MARGIN)	16,375,000	0.94
13	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR CENTRAL KEDAH PLYWOOD FACTORY SENDIRIAN BERHAD (8793-1501)	15,480,000	0.89
14	GOH HOWA MING	13,386,571	0.77
15	TEOH TIAN WEN	12,377,500	0.71
16	PHUAH CHENG PENG	11,571,500	0.67
17	CH'NG CHOR WAH	10,448,100	0.60
18	WONG AH KEU @ WONG CHEK NEE	10,000,000	0.58
19	LIEW CHAI YEE	9,952,000	0.57
20	TAN KIM CHEANG	9,553,400	0.55
21	LEE CHEE TONG	9,500,000	0.55
22	AFFIN HWANG INVESTMENT BANK BERHAD IVT (CSC)	8,000,000	0.46
23	RHB NOMINEES (TEMPATAN) SDN BHD SOO WING CHING	8,000,000	0.46
24	OOI GENE HOCK	7,540,000	0.43
25	OOI PEY WONG	7,540,000	0.43
26	H'NG BOK CHUAN	6,500,000	0.37
27	LOW BOON NGEE	6,500,000	0.37
28	ONG CHIN KANG	6,500,000	0.37
29	TAN IRENE	6,400,000	0.37
30	LIM MENG YEOW	6,227,000	0.36
TOTAL		733,947,491	42.20

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 7 APRIL 2017

Total Number of Warrant A	:	441,594,505
Total Number of Warrant A Outstanding	:	441,594,505
Exercise Price Per Warrant A	:	RM0.10
Exercise Period of Warrant A	:	5 June 2012 to 3 June 2022
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new LIB share at the Exercise Price during the Exercise Period and shall be subjected to adjustments in accordance with the provisions of the Deed Poll.

ANALYSIS OF WARRANT A HOLDINGS AS AT 7 APRIL 2017

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued warrants
1-99	65	4.40	2,668	0.00
100 to 1,000	31	2.10	16,329	0.00
1,001 to 10,000	195	13.19	1,190,590	0.27
10,001 to 100,000	699	47.29	38,604,066	8.74
100,001 to less than 5% of issued warrants	488	33.02	401,780,852	90.98
5% and above of issued warrants	0	0.00	0	0.00
Total	1,478	100.00	441,594,505	100.00

DIRECTORS' WARRANT A HOLDINGS AS AT 7 APRIL 2017

Name	Number of Warrants Held			
	Direct	%	Deemed	%
Liang Wooi Gee	5,714	^	-	-
Lim See Chea	149,714	0.03	-	-

^ Negligible

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 7 APRIL 2017

THIRTY LARGEST WARRANT A HOLDERS AS AT 7 APRIL 2017

NO.	NAME	HOLDINGS	%
1	CHOO AH NGO	22,000,000	4.98
2	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GHIM CHAI	11,000,000	2.49
3	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	10,288,000	2.33
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOH CHIN LIANG	8,268,000	1.87
5	LIM GEOK ENG MARY	8,200,000	1.86
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GEOK ENG MARY	7,900,000	1.79
7	LIM MENG YEW	6,926,000	1.57
8	SIM SIEW TUAN	5,709,500	1.30
9	TAN HAN CHONG	5,500,000	1.25
10	LIEW KUO AUN	5,000,000	1.13
11	CIMSEC NOMINEES (ASING) SDN BHD CIMB BANK FOR LIM GEOK ENG MARY (MY0955)	4,986,900	1.13
12	SIM MUI KHEE	4,700,000	1.06
13	LIM HOCK AUN	4,500,000	1.02
14	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CH'NG BEE JIUAN (CHN0181C)	4,100,000	0.93
15	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG ENG TIONG (001)	4,000,000	0.91
16	LEE ENG BENG	4,000,000	0.91
17	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING SIEW LUAN (B)	4,000,000	0.91
18	TAN CHIN CHON @ TAN CHIN CHOON	4,000,000	0.91
19	KHAW SIANG SIANG	3,980,000	0.90
20	KOH CHIN LIANG	3,750,100	0.85
21	SJC REALTY SDN. BHD.	3,700,000	0.84
22	LOW AH KOU	3,506,700	0.79
23	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN ANN GEE	3,400,000	0.77
24	CHOO POH TIT	3,350,000	0.76
25	TAN CHOON LEE	3,300,000	0.75
26	TAN KIM LIANG	3,000,000	0.68
27	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOO POH TIT (PENANG-CL)	2,800,000	0.63
28	POO AH MOI	2,800,000	0.63
29	TANG KONG MENG	2,650,000	0.60
30	SOH TONG HWA	2,600,000	0.59
TOTAL		163,915,200	37.14

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 7 APRIL 2017

Total Number of Warrant B	:	216,000,000
Total Number of Warrant B Outstanding	:	216,000,000
Exercise Price Per Warrant B	:	RM0.10
Exercise Period of Warrant B	:	27 May 2013 to 26 May 2023
Exercise Rights	:	Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one(1) new LIB Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.

ANALYSIS OF WARRANT B HOLDINGS AS AT 7 APRIL 2017

Size of shareholdings	No. of Warrant Holders	% of total Warrant Holders	No. of Warrants	% of total issued warrants
1 to 99	0	0	0	0.00
100 to 1,000	44	5.84	33,900	0.02
1,001 to 10,000	38	5.05	278,600	0.13
10,001 to 100,000	375	49.80	22,453,600	10.40
100,001 to less than 5% issued warrants	295	39.18	177,215,000	82.04
5% and above of issued warrants	1	0.13	16,018,900	7.42
Total	753	100.00	216,000,000	100.00

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 7 APRIL 2017

THIRTY LARGEST WARRANT B HOLDERS AS AT 7 APRIL 2017

No.	NAME	HOLDINGS	%
1	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI YENG SUN (MARGIN)	16,018,900	7.42
2	TAN KAI KIAT	10,263,800	4.75
3	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOEL CHEW JOON SOON	6,000,000	2.78
4	KOH BOON SAI	5,500,000	2.55
5	TAN TIAM YEE	5,100,000	2.36
6	SJC REALTY SDN. BHD.	4,200,000	1.94
7	LOW AH KOU	3,500,000	1.62
8	LIT KHEE REALTY SDN BERHAD	3,200,000	1.48
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROSLAN BIN ARIFFIN (6000062)	2,900,000	1.34
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIM SIEW INN	2,810,200	1.30
11	KHONG MEI KUAN	2,575,000	1.19
12	LOW KOK BOON	2,500,000	1.16
13	TAN POH SUAT	2,500,000	1.16
14	MOHD ILHAM BIN ZULKIFLI	2,400,500	1.11
15	PHANG SEE ONG	2,370,000	1.10
16	CHEAH TEIK HOCK	2,200,000	1.02
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JAGDISHPAL SINGH A/L DARSHAN SINGH (6000095)	2,000,000	0.93
18	LIM MENG YEW	2,000,000	0.93
19	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHONG MEI KUA	2,000,000	0.93
20	DAWNWAY LAU	1,900,000	0.88
21	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM MOOI FONG	1,885,000	0.87
22	YAP SOO LENG	1,750,000	0.81
23	CHOO KEK KEONG	1,600,000	0.74
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE A HONG @ LEE LUM SOW (E-TMM)	1,500,000	0.69
25	AFFIN HWANG INVESTMENT BANK BERHAD IVT (CSC)	1,496,900	0.69
26	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GHIM CHAI	1,487,700	0.69
27	TAN LEE LEE	1,334,900	0.62
28	ONG CHAI SI	1,323,300	0.61
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD JOSEPH LING ONG CHUONG (E-PDG)	1,300,000	0.60
30	GAN SENG KEE	1,200,000	0.56
TOTAL		96,816,200	44.83

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 7 APRIL 2017

NO. OF ICULS ORIGINAL ISSUES	:	188,000,000
NO. OF OUTSTANDING ICULS	:	4,639,600
ISSUED PRICE OF ICULS	:	RM0.10 each
CONVERSION OF ICULS	:	One (1) unit of ICULS for one (1) LIB share
CONVERSION PERIOD OF ICULS	:	The ICULS shall be convertible into new LIB Shares from the first day of the 2nd anniversary of listing of the ICULS up to convert such ICULS held into fully paid new LIB Shares at the Conversion Price
CONVERSION RIGHTS	:	Each registered holder of the ICULS shall have the right on the first day of the 2nd anniversary of the listing of the ICULS to convert such ICULS held into fully paid new LIB Shares at the Conversion Price

Unless previously converted, the ICULS that remained outstanding until Maturity Date will automatically be converted into new LIB Shares on the day falling immediately after the Maturity Date

ANALYSIS OF ICULS HOLDINGS AS AT 7 APRIL 2017

Size of shareholdings	No. of Holders	% of total ICULS Holders	No. of ICULS	% of total issued ICULS
1 to 99	0	0.00	0	0.00
100 to 1,000	83	76.15	9,700	0.21
1,001 to 10,000	5	4.59	22,900	0.49
10,001 to 100,000	8	7.34	254,900	5.49
100,001 to less than 5% of issued ICULS	5	4.59	802,100	17.29
5% and above of issued ICULS	8	7.34	3,550,000	76.52
Total	109	100.00	4,639,600	100.00

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 7 APRIL 2017

THIRTY LARGEST ICULS HOLDERS AS AT 7 APRIL 2017

No.	NAME	HOLDINGS	%
1	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	500,000	10.78
2	JERUSHA TAN LIN EN	500,000	10.78
3	LEE KIM CHIN	500,000	10.78
4	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	500,000	10.78
5	YING PUI SUNG	500,000	10.78
6	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR LO CHOW YONG SERENA	400,000	8.62
7	CHUE MEI LING	400,000	8.62
8	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR PEK CHIU-XIAH, JOLYNN (BAI QIUXIA, JOLYNN)	250,000	5.39
9	PEK KEM HUA @ PEK KIM CHENG	200,000	4.31
10	RHB NOMINEES (ASING) SDN BHD EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	200,000	4.31
11	YAP YOK FOO	150,000	3.23
12	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	127,000	2.74
13	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE ENG MIN (CCTS)	125,100	2.70
14	OOI KOK KEE	94,200	2.03
15	CHAN KIM HOON	50,000	1.08
16	CHONG KEE KONG	28,200	0.61
17	CHEE MOOI HONG	20,000	0.43
18	CHONG KOK SOON	20,000	0.43
19	LOH SENG SOON	15,000	0.32
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAM KHON CHAI	15,000	0.32
21	TAN KHYE SENG	12,500	0.27
22	OOI LEE PENG	9,800	0.21
23	MARGARET LING LEE NGIOK	5,000	0.11
24	YAM MOW LAM	4,600	0.10
25	OOI LIAN HEOK	2,300	0.05
26	HO SOO THENG @ HO SOO AUN	1,200	0.03
27	LIM POH FONG	800	0.02
28	GOH WAN CHING	700	0.02
29	GOH HAUH CHUAN	100	0.00
30	KHOO CHENG GUAT	100	0.00
TOTAL		4,631,600	99.85

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of the Company will be held at Room Istana Melaka, Level 02, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Tuesday, 23 May 2017 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 2016 together with the Auditors' Report thereon. | Please refer to the Explanatory Note |
| 2. | To approve the payment of Directors' fees and Directors' benefits of RM300,000 for the financial year ending 31 December 2017. | Ordinary Resolution 1 |
| 3. | To re-elect Mr Lim See Chea who retires in accordance with Article 133 of the Company's Constitution (the Articles of Association as adopted before the commencement of the Companies Act, 2016). | Ordinary Resolution 2 |
| 4. | To re-elect Mr Lau Theng Chim who retires in accordance with Article 133 of the Company's Constitution (the Articles of Association as adopted before the commencement of the Companies Act, 2016). | Ordinary Resolution 3 |
| 5. | 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 4 |

AS SPECIAL BUSINESS:

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

- | | | |
|----|---|------------------------------|
| 6. | 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 issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next AGM of the Company." | Ordinary Resolution 5 |
| 7. | ORDINARY RESOLUTION
RETENTION OF MR LAU THENG CHIM 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 Mr Lau Theng Chim 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 in compliance with the recommendation of Malaysian Code on Corporate Governance 2012". | Ordinary Resolution 6 |
| 8. | 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: 28 April 2017

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. A Member may appoint up to two (2) proxies (subject to Article 105a of the Company's Constitution) to attend on the same occasion. A proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account its holds.

An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act") which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.

3. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.
4. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Company's Constitution (Article 80(3) of the Articles of Association of the Company as adopted before the commencement of the Companies Act, 2016) and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 12 May 2017 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

Item 1 of the Agenda

To receive the Audited Financial Statements for the financial year ended 31 December 2016 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 2017 and assuming that all Non-Executive Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees and benefits to meet the shortfall.

Explanatory Notes on Special Business

Ordinary Resolution 5 – Authority to issue shares

Renewal of authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution 5, if passed, is primarily to renew the mandate to give authority to the Board of Directors to issue and allot shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being, at any time in their absolute discretion without convening a general meeting. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, 76,000,000 new ordinary shares pursuant to the Private Placement were issued pursuant to the mandate granted to the Directors at the last annual general meeting held on 30 May 2016. The total proceeds of RM7,980,000.00 from private placement exercise has not been utilised. A renewal of this authority is being sought at the 30th Annual General Meeting under proposed Ordinary Resolution 5.

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).

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes on Special Business (Cont'd)

Ordinary Resolution 6 – Retention of Mr Lau Theng Chim as an Independent Non-Executive Director of the Company

The proposed Ordinary Resolution 6, if passed, will retain Mr Lau Theng Chim as Independent Non-Executive Director of the Company in line with the recommendation no. 3.3 of the Malaysian Code of Corporate Governance 2012. Both the Nomination Committee and Board have assessed the independence of Mr Lau Theng Chim, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue to act as Independent Non-Executive Directors 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 accounting and audit industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
- iii. He devotes sufficient time and attention to his professional obligations for an informed and balanced decision making.
- iv. He consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.
- v. He has a good and thorough understanding of the main drivers of the business in a detailed manner.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 5 as stated in the Notice of Annual General Meeting of the Company for the details.

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PROXY FORM



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 30th Annual General Meeting of the Company to be held at Room Istana Melaka, Level 02, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darulaman, Malaysia on Tuesday, 23 May 2017 at 11:00 a.m. and any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	For	Against
1.	To approve the payment of Directors' fees and Directors' benefits for the financial year ending 31 December 2017.		
2.	To re-elect Mr Lim See Chea as Director.		
3.	To re-elect Mr Lau Theng Chim as Director.		
4.	To re-appoint Messrs Grant Thornton as the Company's Auditors.		
5.	To authorize Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
6.	Retention of Mr Lau Theng Chim as an Independent Non-Executive Director.		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction for voting is given, the proxy may vote as he thinks fit.

No. of shares held

Signed this day of, 2017.

Signature of Member(s)/Common Seal

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	%
Proxy 1		
Proxy 2		
Total		100

Notes:

- A Member may appoint up to two (2) proxies (subject to Article 105a of the Company's Constitution) to attend on the same occasion. A proxy may but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. If a Member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. .
- 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.
- The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.
- If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
- For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Company's Constitution (Article 80(3) of the Articles of Association of the Company as adopted before the commencement of the Companies Act, 2016) and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 12 May 2017 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.
- All resolutions as set out in the Notice of Annual General Meeting are to be voted by proxy.

PERSONAL DATA POLICY

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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)

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08000 Sungai Petani, Kedah Darul Aman,
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