

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has only perused through Section 2.4 (b) of this Circular in respect of the proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature on a limited review basis pursuant to the provisions of Paragraph 4.1 of the Practice Note 18 of Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



LUSTER INDUSTRIES BHD
Company No. 198601006973 (156148-P)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR THE RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The above proposal will be tabled as special business at the 35th Annual General Meeting (“AGM”) of the Company.

Notice of the AGM to be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1 Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman on Monday, 30 May 2022 at 11.00 a.m. together with the Proxy Form are send together with this circular. The Proxy Form should be completed and lodged at the Company’s Registered Office at 51-8-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 24 hours before the time set for holding the meeting or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy.....: Sunday , 29 May 2022 at 11.00 a.m.
Date and time of the AGM: Monday, 30 May 2022 at 11.00 a.m.

This Circular is dated 29 April 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016 as amended, modified or re-enacted from time to time
AGM	:	Annual General Meeting of the Company
Board	:	The Board of Directors of LIB
Bursa Securities	:	Bursa Malaysia Securities Berhad 200301033577 (635998-W)
Circular	:	This circular to shareholders of LIB dated 29 April 2022
Director(s)	:	This shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of LIB, its subsidiary or holding company; or chief executive of LIB, its subsidiary or holding company
GDW	:	GDW Mengkuang Sdn Bhd 200901026564 (869666-H)
GSB	:	Glovmaster Sdn Bhd 202001034059 (1390380-A)
Glomaxes	:	Glomaxes Latex Glove Manufacturer Sdn Bhd 201401026888 (1102978-W)
FTSB	:	Fortune Tac Sdn Bhd 202001029512 (1385832-H)
LIB or the Company	:	Luster Industries Bhd 198601006973 (156148-P)
LIB Group or the Group	:	LIB and its subsidiaries
Listing Requirements	:	Bursa Securities Main Market Listing Requirements
LPD	:	18 April 2022, being the latest practicable date prior to the printing of this Circular
Major Shareholder	:	A person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: - (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder as defined above (or any other corporation which is its subsidiary or holding company). For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act
NA	:	Net assets

DEFINITIONS (continued)

- Person Connected : In relation to a director, major shareholder, a member of the management team, means such person who falls under any one of the following categories:
- (a) a family member of the director, major shareholder or management team member, which family means such person who falls within any one of the following categories: -
 - (i) spouse;
 - (ii) parent;
 - (iii) child including an adopted child and step-child;
 - (iv) brother or sister; and
 - (v) spouse of the person referred to in subparagraph (iii) and (iv) above;
 - (b) a trustee of a trust (other than a trustee for a share scheme for employee or pension scheme) under which the director, major shareholder, management team member, or a family member of the director, major shareholder or management team member, is the sole beneficiary;
 - (c) a partner of the director, major shareholder, management team member, or a partner of a person connected with that director, major shareholder or management team member;
 - (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
 - (e) a person in accordance with whose directions, instructions or wishes the director, major shareholder, or management team member is accustomed or is under an obligation, whether formal or informal, to act;
 - (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
 - (g) a body corporate or its directors whose directions, instructions or wishes the director, major shareholder or management team member is accustomed or under an obligation, whether formal or informal, to act;
 - (h) a body corporate in which the director, major shareholder, or management team member, or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
 - (i) a body corporate which is a related corporation

DEFINITIONS (continued)

PN	:	Practice Note of the Listing Requirements
Proposed Shareholders' Mandate	:	Proposed new and renewal of shareholders' mandate for the Group's RRPT(s) as set out in Section 2.4 of the Circular with persons who are considered to be "related parties" as defined in Chapter 10 of the Listing Requirements
Recurrent Related Party(ies) Transaction(s) or RRPT(s)	:	Recurrent Related Party Transaction(s) of a revenue or trading nature, which are necessary for the day-to-day operations of the Group within the ordinary course of business of the Group
Related Party or Related Parties	:	A director, major shareholder or person(s) connected with such director or major shareholder as defined under the Listing Requirements
RM and sen	:	Ringgit Malaysia and sen respectively
Shares	:	Ordinary shares

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

DEFINITIONS (continued)

LETTER TO THE SHAREHOLDERS CONTAINING:**PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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FORM OF PROXY ENCLOSED



LUSTER INDUSTRIES BHD.
Company No.198601006973(156148-P)
(Incorporated in Malaysia)

Registered Office:

51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

Date: 29 April 2022

Board of Directors:

Mr Liang Wooi Gee (Deputy Managing Director)
Mr Chuah Chong Ewe (Executive Director)
Mr Phuah Cheng Peng (Executive Director)
Mr Wee Song He, Wilson (Executive Director)
Encik Ahmad Kamal Bin S. Awab (Independent Non-Executive Director)
Dato' Mohamed Shukri bin Mohamed Zain (Independent Non-Executive Director)
Dato' Yew Tian Tek (Independent Non-Executive Director)

To: The Shareholders of LIB

Dear Sir/Madam

PROPOSED NEW AND RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At the Company's AGM held on 28 June 2021, shareholders had approved a mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature with the related parties, which are necessary for the day-to-day operations of the Group and are carried out in the ordinary course of business and are on normal commercial terms which are not more favorable to the related parties than those generally available to the public and not detrimental to the minority shareholders.

On 29 April 2022, the Company made announcement to Bursa Securities that the Company would be seeking its shareholders' approval for the Proposed Shareholders' Mandate to enable the Group to enter into various RRPTs pursuant to Paragraph 10.09(2) of the Listing Requirements and PN12 at the forthcoming AGM, to be held on 30 May 2022.

The transactions concluded for the last financial year ended 31 December 2021 are incorporated in the 2021 Annual Report on pages 116 to 117.

The Proposed Shareholders' Mandate will take effect from the date of the passing of the Ordinary Resolution proposed at the forthcoming AGM and is subject to annual renewal. In this respect, the Proposed Shareholders' Mandate shall only continue to be in force until: -

- i) the conclusion of the next AGM of the Company following the general meeting at which the authorisation is obtained, at which time it shall lapse, unless by ordinary resolutions passed at the meeting, the authority is renewed;
- ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier.

The purpose of this Circular is to provide shareholders with details pertaining to the Proposed Shareholders' Mandate, to set your Board of Directors' recommendation thereon and to seek the shareholders approval for the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM. The notice of 34th AGM together with the Form of Proxy are send together with this Circular.

SHAREHOLDERS OF LIB ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH APPENDIX I CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED SHAREHOLDERS' MANDATE AT THE FORTHCOMING AGM.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

2.1.1 Paragraph 10.09(2) of the Listing Requirements and PN12

Pursuant to Paragraph 10.09(2) of the Listing Requirements and PN12, a listed issuer may seek a shareholders' mandate from its shareholders in respect of RRPT subject to the following: -

- (i) The transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (ii) The shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed below:-
 - (a) the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
 - (b) the percentage ratio of such RRPT is 1% or more,
 whichever is the higher;
- (iii) The contents of the circular to shareholders by the listed issuer for purposes of the shareholders' mandate includes the information as may be prescribed by Bursa Securities.
- (iv) In a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (v) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

2.1.2 Definitions

i) Related Party Transactions

Related party transaction is defined in Paragraph 10.02(k) of the Listing Requirements. It reads as follows: -

“Transaction entered into by the listed issuer or its subsidiaries which involves the interest, direct or indirect, of a related party.”

Transactions within the meaning of “Related Party Transactions” exclude transactions entered into between a listed issuer (or any of its wholly-owned subsidiaries) and its wholly-owned subsidiary.

ii) RRPT of a Revenue or Trading Nature

This is specifically spelt out in the Listing Requirements and PN12 of the Listing Requirements.

“Recurrent related party transactions”

This involves transactions that are:-

- recurrent;
- of a revenue or trading nature; and
- necessary for its day-to-day operations.

It is stated in Paragraph 3.1.1 of PN12 of the Listing Requirements that in this respect, the frequency or regularity of the transaction has to be considered. A transaction which has been made or will be made by the listed issuer at least once in 3 years in the course of its business will be considered recurrent.

“Revenue nature necessary for day to day operations”

With reference to Paragraph 3.1.2 of PN12 of the Listing Requirements, a related party transaction of a revenue nature which is necessary for day to day operations must either contribute directly or indirectly to the generation of revenue for the listed issuer.

“In the ordinary course of business”

It is clearly stated in Paragraph 3.1.3 of PN12 of the Listing Requirements that a related party transaction is in the ordinary course of business, if it is a transaction which would reasonably be expected to be carried out by the listed issuer given the type of business the listed issuer is involved in. The fact that the transaction is envisaged in the memorandum of association of the listed issuer will not be a conclusive factor of determination.

iii) Related Parties

Related parties are defined under Paragraph 1.01 of the Listing Requirements as follows:-

- a director;
- major shareholder; or
- person connected with such director or major shareholder.

2.2 The principal business activity of LIB Group

The principal activities of LIB consist of investment holding and the provision of management services to its subsidiaries, whilst the principal activities of its subsidiaries are as follows: -

Subsidiary companies of LIB	Interest held (%)	Principal activities
Luster Manufacturing Sdn Bhd	100	Investment holding
Luster Plastic Industries Sdn Bhd	100	Dormant
Exzone Precision Engineering Sdn Bhd	100	Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products
Exzone Plastics Manufacturers Sdn Bhd	100	Dormant
Winco Precision Engineering (Melaka) Sdn Bhd	100	Precision engineering work and manufacturing of die-casting components
Winco Precision Technologies Sdn Bhd	80	Dormant
Pan Cambodian Lottery Corporation Limited	95	Lottery operator in Cambodia
Luster Construction Sdn Bhd	100	Construction of properties
Pembinaan LSP Jaya Sdn Bhd	54.55	Property construction and development
Jade Classic Sdn Bhd	51	Property development
Glovmaster Sdn Bhd	56	Manufacturing, sales and distribution of latex examination gloves
Luster Trading Sdn Bhd	100	Dormant
Luster Ara Sdn Bhd	50.1	Dormant

Subsidiary of Glovmaster Sdn Bhd	Interest held (%)	Principal activities
Linpower Resources Sdn Bhd	100	Dormant
Glovconcept Sdn Bhd	60	Provision of engineering, procurement, construction and commissioning of glove related system

Subsidiary of Exzone Plastics Manufacturers Sdn Bhd	Interest held (%)	Principal activities
Imetron (M) Sdn Bhd	100	Dormant

Subsidiary of Luster Manufacturing Sdn Bhd	Interest held (%)	Principal activities
Luster Venture Sdn Bhd	100	Property construction
Luster Hijauan Home Sdn Bhd	100	Property development and real estate activities

Subsidiary of Exzone Precision Engineering Sdn Bhd	Interest held (%)	Principal activities
TSI Zone (Malaysia) Sdn Bhd	60	Manufacture of acoustic products and consumer's electronic products

Associate company of Winco Precision Engineering (Melaka) Sdn Bhd	Interest held (%)	Principal activities
Winco Precision Technologies Sdn Bhd	20	Dormant
Pembinaan LSP Jaya Sdn Bhd	45.45	Property construction and development

2.3 The principal activities of the other transacting parties

The principal activities of the other related transacting parties which are not part of LIB Group that are involved in the RRPT with the LIB Group are set out below: -

Other transacting parties	Principal activities
GDW Mengkuang Sdn Bhd	Property development
Glomaxes Latex Glove Manufacturer Sdn Bhd	Manufacture of rubber gloves

2.4 Nature of RRPT and Class of Related Parties

(I) The details of the nature and estimated annual value of the RRPT in respect of which LIB Group is seeking renewal mandate from its shareholders as contemplated under the Proposed Shareholders' Mandate are as follows:-

Related Party with whom the Group is transacting	Nature of Transactions	Companies within the Group involved in RRPT	Estimated value as disclosed in the Circular to Shareholders dated 28 May 2021 ("Estimated Value")	Actual value transacted ("Actual Value") [^]	Estimated value from forthcoming AGM to next AGM [@]	Interested Related Party*	Relationship
Provider		Recipient	(RM)	(RM)	(RM)		
GDW	Incurring expenses pursuant to project financing, management & construction agreement	Luster Venture Sdn Bhd	38,000,000	15,700,564	30,000,000	Phuah Cheng Peng	<p>i) Phuah Cheng Peng is a director of Luster Venture Sdn Bhd. and LJB. He is also a substantial shareholder of LIB holding 7.7% equity interest.</p> <p>ii) Phuah Cheng Peng is a director and substantial shareholder of GDW holding 25% equity interest.</p> <p>iii) His spouse, Ooi Seok Hua holds 0.34% equity interest in LIB.</p>
Glomaxes	Selling examination gloves, natural rubber, nitrile butadiene rubber and chemicals	GSB	20,000,000	-	20,000,000	Yee Voon Hon	<p>i) Yee Voon Hon is a director of GSB, FTSB and Glomaxes. FTSB holds 44% equity interest in GSB.</p> <p>ii) Yee Voon Hon is also a major shareholder holding 58% equity interest in FTSB and 30% equity interest in Glomaxes.</p> <p>iii) Yee Kwek Keong ("YKK") and Yap Kwee Heong ("YKH") are parents of Yee Voon Hon. YKK and YKH are directors of Glomaxes and each of them hold 20% equity interest in Glomaxes.</p>

(II) The details of the nature and estimated annual value of the RRPT in respect of which LIB Group is seeking new mandate from its shareholders as contemplated under the Proposed Shareholders' Mandate are as follows:-

Related Party with whom the Group is transacting	Nature of Transactions	Companies within the Group involved in RRPT		Estimated value as disclosed in the Circular to Shareholders dated 28 May 2021 ("Estimated Value")	Actual value transacted ("Actual Value") [^]	Estimated value from forthcoming AGM to next AGM [@]	Interested Related Party*	Relationship
		Recipient	Provider					
Glomaxes	Purchasing examination gloves, natural rubber, nitrile butadiene rubber and chemicals	GSB		20,000,000	-	20,000,000	Yee Voon Hon	iv) Yee Voon Hon is a director of GSB, FTSB and Glomaxes. FTSB holds 44% equity interest in GSB. v) Yee Voon Hon is also a major shareholder holding 58% equity interest in FTSB and 30% equity interest in Glomaxes. vi) Yee Kwek Keong ("YKK") and Yap Kwee Heong ("YKH") are parents of Yee Voon Hon. YKK and YKH are directors of Glomaxes and each of them hold 20% equity interest in Glomaxes.

Notes:

The RRPT covered by this Proposed New and Shareholders' Mandate are in compliance with the Listing Requirements and PN12.

[^] The actual value transacted of RRPT from the date on which the existing mandate was obtained up to the LPD.

[@] From the date of forthcoming AGM up to date of the next AGM. The estimated value for mandate is based on management forecast of projects that have been undertaken and anticipated projects to be secured. The estimated value is subject to changes.

* The direct and indirect shareholdings of these interested related parties (if any) are set out in Section 7 below. Accordingly, these interested related parties will abstain from voting in respect of their direct or indirect shareholdings in LIB at the forthcoming AGM on the Proposed Shareholders' Mandate.

2.5 Amount Due and Owing By Related Parties

As at 31 December 2021 and LPD, there is no outstanding amount due under the RRPT which exceeded the credit term.

2.6 Guidelines and Review Procedures

The LIB Group had established the guidelines and procedures to ensure that the RRPT contemplated under the Proposed Shareholders' Mandate are undertaken on an arm's length basis and on normal commercial transaction prices and terms which are generally not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders:-

(i) Methods for Determination of Transaction Price

- i. The transaction prices and the terms and conditions are determined by current market forces under similar commercial terms and normal trade practices for transactions with third parties.
- ii. The Group shall ensure that at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.
- iii. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the Group's pricing for the products/services to be supplied/provided and/or purchased/received will be determined in accordance with the Group's usual business practices and policies, which are on terms not more favourable to the related parties than those extended to third parties/public and not to the detriment of minority shareholders of the Company.

(ii) Thresholds for Approval of RRPT

There are no specific thresholds for the approval of RRPT within the Group. All the RRPT will be monitored by the management and reviewed by the Audit Committee and approved by the Board of Directors. If the RRPT has not obtained the shareholders' mandate or has exceeded the shareholders' mandate whereby, an announcement shall be made to Bursa Securities.

(iii) Monitoring of RRPT

- (a) A list of related parties shall be circulated within the Group from time to time for reference and at the same time, the related party will be notified to ensure that all RRPT are undertaken in accordance with the policies.
- (b) All operating divisions and subsidiary companies shall review the existing information systems to ensure that information on Related Party Transactions are captured at source.
- (c) Records will be maintained by the Company for Audit Committee's review in order to capture all RRPT which are entered pursuant to the shareholders' mandate.
- (d) The annual internal audit plan shall incorporate a review of all RRPT entered into pursuant to the Proposed Shareholders' Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to.
- (e) The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RRPT have been complied with.
- (f) The Board and the Audit Committee shall have overall responsibility for the determination of review procedures with authority to sub-delegate to individuals or committees within the Company as they deem appropriate. If a member of the Board or Audit Committee has an interest, as the case may be, he will abstain from any decision making by the Board and the Audit Committee respectively in respect of the said transaction.

- (g) Additional quotations, if relevant, from third parties will be obtained and will be evaluated based on ranking on the price, delivery, services and other terms and conditions before entering into such transactions.

If it is determined that the guidelines and/or procedures stated in Section 2.6(i) of this Circular are inadequate and to ensure that:-

- (i) the RRPT will be conducted at arm's length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- (ii) such transactions are not to the detriment of the minority shareholders of the Company or prejudicial to the interests of the shareholders,

the Company will obtain a fresh shareholders' mandate based on new guidelines and procedures. The Audit Committee shall also have the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such a request to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

Pursuant to Paragraph 10.09 of the Listing Requirements, in a meeting to obtain the Proposed Shareholders' Mandate, the interested director, interested major shareholder or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions.

2.7 Validity period of the Proposed Shareholders' Mandate

If approved at the forthcoming AGM, the Proposed Shareholders' Mandate will take effect from the passing of the Proposed Ordinary Resolution relating thereto at the forthcoming AGM and will continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the general meeting at which the authorisation is obtained, at which time it shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company after this date is required to be held pursuant to section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Act); or
- (iii) revoked or varied by resolutions passed by the shareholders of the Company in a general meeting;

whichever is earlier.

In view of the foregoing, the Board will seek your approval for the Proposed Shareholders' Mandate at the forthcoming AGM, and at each subsequent AGM subject to satisfactory review by the Audit Committee of its continued application to the RRPT.

Transactions with any related parties, which do not fall within the ambit of the Proposed Shareholders' Mandate, will be subject to other applicable provisions of the Listing Requirements, the Act and/or any applicable law.

2.8 Disclosure in Annual Report

Disclosure will be made in the Company's Annual Report 2021 and in the Annual Reports for subsequent financial years that the Proposed Shareholders' Mandate continue in force in accordance with Paragraph 3.1.5 of PN12 of the Listing Requirements, which requires a breakdown of the aggregate value of the RRPT made during the financial year pursuant to the Proposed Shareholder Mandate based on the following information:-

- (i) the type of RRPT made; and
- (ii) the names of the related parties involved in each type of the RRPT made and their relationship with the Company.

3. STATEMENT BY AUDIT COMMITTEE

The Audit Committee of the Company has seen and reviewed the procedure mentioned in section 2.6 above and is of the view that:-

- (i) The procedures and processes are sufficient to ensure that the RRPT are carried out on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders; and
- (ii) The Group have in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner, and such procedures and processes are reviewed on a yearly basis or whenever the need arises.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE

4.1 Rationale for the Proposed Shareholders' Mandate

The rationale for the Proposed Shareholders' Mandate is to enable LIB Group to obtain general mandate from its shareholders for the RRPT. On the whole, the RRPT are considered by the Directors of LIB to be beneficial to the LIB Group as they constitute recurrent transactions of a revenue or trading nature which are necessary for the day-to-day operations of LIB Group, and which contribute to the generation of their turnover.

It is envisaged that in the normal course of business of LIB Group, transactions in respect of goods or services with the Related Parties will occur with some degree of frequency from time to time and may arise at any time.

Some of these RRPT may be time-sensitive and it may be impractical to seek shareholders' approval on a case-to-case basis before entering into such RRPT.

The obtaining of the shareholders' mandate and the renewal thereof on an annual basis would eliminate the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT arise, thereby reducing administrative time and cost associated with the convening of such meetings without compromising the corporate objectives or adversely affecting the business opportunities available to LIB Group.

4.2 Benefits of the Proposed Shareholders' Mandate

Some of the benefits to be derived from the Proposed Shareholders' Mandate of these RRPTs are:-

- (i) flexibility and choice of parties to enter into such transactions, whether with Related Parties or Non-Related Parties;
- (ii) facilitate transactions with Related Parties which are in the ordinary course of business of LIB Group undertaken at arm's length basis, normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;
- (iii) facilitate transactions with Related Parties in an expeditious manner to meet business needs for the supply and/or provision of goods and services which are necessary for its day-to-day operations, particularly business needs which are time sensitive in nature; and
- (iv) eliminate the need to announce and convene separate general meetings to seek shareholders' mandate for each transaction and as such, substantially reduce expenses, time and other resources associated with the making of announcements and convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow financial and manpower resources to be channeled to attain more productive objectives.

In addition to the above benefits, the Related Parties had also proven to be reliable in its delivery of services and products as well as fulfilling the quality expectations of the LIB Group. Due to previous business dealings with the Related Parties, the Related Parties are familiar with the Group's operations and are able to meet the Group's business requirements even when short notice is given. This has allowed the Group to benefit from sudden business opportunities that had arisen.

5. FINANCIAL EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is not expected to have any significant effect on the share capital, shareholdings of major shareholders and earnings or NA of the Group for the financial year ending 31 December 2021.

6. APPROVAL REQUIRED

The Proposed Shareholders' Mandate is conditional upon the approval of the shareholders of LIB being obtained at the forthcoming AGM.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

As at LPD, the direct and indirect shareholdings of the Directors of the Company and its subsidiaries who have interest, direct or indirect, in the Proposed Shareholders' Mandate are as below: -

	Direct		Indirect	
	Number	%	Number	%
<u>Director of the Company :</u>				
Phuah Cheng Peng				
Shares	224,114,500	7.2	-	-
Warrants A	1,500,000	0.3	-	-
Via spouse				
Shares	-	-	500,000	0.2
<u>Director of GSB :</u>				
Yee Voon Hon				
Shares	34,663,851	1.2	-	-
Warrants A	16,166,000	3.7	-	-
Warrants B	2,000,000	0.9	-	-
Via spouse				
Shares	-	-	70,000,000	2.4

Note: Total number of Shares = 2,902,733,612 ordinary shares, Total Warrants A = 431,773,605 warrants and Total Warrants B = 216,000,000 warrants

The abovenamed Directors being the Director who are interested in the Proposed New and Shareholders' Mandate have abstained and will continue to abstain from all deliberations and voting on the RRPT involving them as comprised in the Proposed Shareholders' Mandate at the relevant Board meetings and shall also abstain from voting in respect of their direct and indirect shareholdings (if any) in the Company at the forthcoming AGM on the resolution approving the RRPT involving them as comprised in the Proposed Shareholders' Mandate.

Save for the Directors and/or major shareholder and persons connected to him as set out above, no other Director or major shareholder of the Group and persons connected to him has any interest, direct or indirect, in the Proposed Renewal Shareholders Mandate. Where the persons connected with a Director and/or major shareholder of the Group has any interest, direct or indirect, in the Proposed Renewal Shareholders' Mandate, the Director and/or major shareholder concerned will also abstain from voting in respect of his direct or indirect shareholdings in the Company at the forthcoming AGM on the resolution approving the RRPT involving the relevant director and/or major shareholder or persons connected to them in the Proposed Renewal Shareholders' Mandate.

The abovenamed Director and/or major shareholder who is interested in the Proposed New Shareholders' Mandate has undertaken that he will also ensure that these persons connected to him will abstain from voting in respect of his direct and indirect shareholdings in the Company, if any, at the forthcoming AGM on the resolution deliberating or approving the RRPT involving their interests which are comprised in the Proposed Renewal Shareholders' Mandate.

8. DIRECTORS' RECOMMENDATION

Having considered the rationale for the Proposed Shareholders' Mandate and deliberated on the same, the Directors save for Mr Phuah Cheng Peng are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Group.

With the exception of Mr Phuah Cheng Peng who is interested in the Proposed Shareholders' Mandate in the manner disclosed in the table in Section 2.4 of this Circular, and have therefore abstained from making any recommendation in respect of the RRPT in which they are involved, the Board recommends that you vote in favour of the Ordinary Resolution on the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

9. THE 35th AGM

The 35th AGM, will be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1 Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman on Monday, 30 May 2022 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, *inter alia*, the ordinary resolution pertaining to the Proposed Shareholders' Mandate.

If you are unable to attend and vote in person at the 35th AGM, you are requested to complete, sign and return the Proxy Form enclosed, in accordance with the instruction contained therein as soon as possible so as to arrive at the Registered Office of the Company not less than twenty-four (24) hours before the time set for the forthcoming AGM. The lodging of the Proxy Form will not preclude you from attending and voting in person at the forthcoming AGM should you subsequently wish to do so.

10. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I contained in this Circular for further information.

Yours faithfully
For and behalf of the Board of
LUSTER INDUSTRIES BHD

AHMAD KAMAL BIN S. AWAB
Independent Non-Executive Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors of LIB and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no material contracts or agreements (not being contracts entered into in the ordinary course of business) which have been entered into by the LIB Group during the two (2) years preceding the date of this Circular:

- (i) On 26 February 2021, LIB announced that Glovmaster Sdn Bhd (“GSB”) had entered into a Sale and Purchase Agreement with Yoon Mee Realty Sdn Bhd to acquire all that piece of leasehold industrial land held under Pajakan Mukim 10131, Lot 722 Seksyen 2, Pekan Bukit Changgang, Daerah Kuala Langat, Selangor with an area measuring approximately 4,013 sq meter together with a unit of one and a half (1½) storey detached factory building erected thereon bearing address No 154, Jalan Empat, Kompleks Perabut Olak Lempit, 42700 Banting, Selangor for a consideration of RM3,845,000.00.

The above information is the latest status of the material contracts as at LPD.

3. MATERIAL LITIGATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings, pending or threatened, against the Group, except for the following:

- (i) Luster Industries Bhd. vs. Citi-Champ International Limited (“Citi-Champ”), How Soong Khong, Yap Yoke Chuan, Yap Kean Kok and Yew Ding Wei (“2nd to 5th Defendants”)

On 8 June 2016, the Company received an invitation from a sale agent to bid for 100% equity interest in SS Ventures Ltd. (“SS Ventures”), a company held by Citi-Champ. In response to the invitation, the Company placed a refundable earnest deposit of RM3,000,000 to a legal firm acting as stakeholder for Citi-Champ to express its interest to participate in the bid. The Company paid another refundable earnest deposit of RM3,000,000 to the same legal firm, following the Company’s decision to proceed with the final bid for a 10% equity stake in SS Ventures.

On 5 July 2016, the Company signed a Memorandum of Understanding (“MOU”) with Citi-Champ whereby it was stated that New Harvest Asia Investment Limited (“New Harvest”), a wholly-owned subsidiary of Citi-Champ, is in the process of acquiring the entire equity interest in SS Ventures. The objective of the MOU is to record the understanding relating to the proposed disposal by Citi-Champ and acquisition by the Company of certain percentage of Citi-Champ’s shares in New Harvest for a certain purchase consideration (Proposed Acquisition) to be determined later, subject to a definitive Share Sale Agreement and Shareholders Agreement (if required/applicable) to be entered into between the Company and Citi-Champ. The parties shall endeavour to finalise and mutually agree on the details of the Proposed Acquisition within 6 months from the date of the MOU.

On 1 December 2016, the Company’s appointed solicitors wrote to Citi-Champ to inform that the Company has decided to withdraw its interest in SS Ventures and demanded for a full refund of the refundable earnest deposits of RM6,000,000 as there was no progress to the transfer of equity interest in SS Ventures to New Harvest.

Citi-Champ refused to make the refund, claiming that the first deposit of RM3,000,000 had been forfeited and that with regards to the second deposit of RM3,000,000, they had incurred a sum of RM4,850,400 to assist the Company in the due diligence/legal verification on SS Ventures, and would claim the difference of RM1,850,400 should the Company insist to claim the refund from them.

On 13 June 2017, the Company had through its solicitors filed a Statement of Claim at the High Court of Malaya at Shah Alam to pursue legal actions against Citi-Champ and the 2nd to 5th Defendants. The claim includes the refund of the total sum of RM6 million to the Company, general damages, exemplary damages and interests on the claim. On 19 June 2017, the Company filed an application for mareva injunction against the 2nd to 5th Defendants. On 31 October 2017, the High Court dismissed the application for mareva injunction, and also dismissed the erinford injunction application made immediately upon the dismissal of the mareva injunction application. On even date, the Company appealed to the Court of Appeal against the High Court's decision in dismissing the mareva injunction application. On 3 November 2017, the Company applied for an erinford injunction pending disposal of its appeal. On 19 December 2017, the Court of Appeal granted an erinford injunction.

On 13 March 2018, the Court of Appeal allowed the Company's appeal and granted a mareva injunction against the respondents. On 14 March 2018, the High Court dismissed the third parties' application to strike out the third party notice by the 5th defendant with costs of RM5,000. The third parties' appeal to the Court of Appeal has also been dismissed on 1 October 2018. On 24 October 2018, the High Court dismissed the third parties' application to strike out the third party notice by the 2nd to 4th defendants with no order as to costs.

On 13 November 2019, judgment has been awarded by the High Court as follows:

- (i) that the 2nd to 4th Defendants had breached their fiduciary duties as directors of the Company;
- (ii) that the 5th Defendant had breached his duties as stakeholder by releasing the earnest deposits of RM6,000,000 to the 1st Defendant;
- (iii) that the 2nd to 5th Defendants do jointly and severally pay the earnest deposits of RM6,000,000, exemplary damages of RM200,000 and interest on the earnest deposits of RM6,000,000 at 5% per annum calculated from 1 December 2016 until full realisation to the Company;
- (iv) that the 2nd to 5th Defendants do jointly and severally pay the costs of RM100,000 to the Company; and
- (v) that the 2nd to 5th Defendants' claim against the third parties be dismissed with costs of RM30,000 to be paid by 2nd to 5th Defendants jointly and severally to the third parties.

The 2nd to 4th defendants and 5th defendant had appealed against the said decision on 9 December 2019 and 10 December 2019 respectively. The 2nd to 5th defendants' appeal is now registered at the Court of Appeal as Civil Appeal. The said appeal is now fixed for hearing at the Court of Appeal on 5 July 2022.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal office hours on Monday to Friday (except public holidays) from the date of this Circular up to the date of AGM: -

- (i) the Company's Constitution;
- (ii) the audited Financial Statements of LIB Group for the past two (2) financial years ended 31 December 2020 and 31 December 2021 and the latest unaudited results since the last audited financial statements for the financial period ended 31 December 2021; and
- (iii) Material contracts referred to in item 2 above.

