

Growth
through
Value Creation

Annual
Report **2023**



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37TH ANNUAL GENERAL MEETING of LUSTER INDUSTRIES BHD

 Room The Lounge, Ground Floor,
Park Avenue Hotel, E-1, Jalan Indah Dua,
Taman Sejati Indah, 08000 Sungai Petani,
Kedah Darul Aman, Malaysia.

 30 MAY 2024

 10.00 A.M.

Corporate Information

BOARD OF DIRECTORS

Chuah Chong Ewe
(Managing Director)

Chuah Chong San
(Executive Director)

Liang Wooi Gee
(Executive Director)

Phuah Cheng Peng
(Executive Director)

Wee Song He, Wilson
(Executive Director)

Ahmad Kamal Bin S. Awab
(Independent Non-Executive Director)

Lee Lean Suan
(Independent Non-Executive Director)

Nah Ren Ren
(Independent Non-Executive Director)

Audit Committee

Lee Lean Suan (*Chairman*)
Ahmad Kamal Bin S. Awab
Nah Ren Ren

Nominating Committee

Nah Ren Ren (*Chairman*)
Lee Lean Suan
Ahmad Kamal Bin S. Awab

Remuneration Committee

Lee Lean Suan (*Chairman*)
Ahmad Kamal Bin S. Awab
Nah Ren Ren

Risk Management Committee

Ahmad Kamal Bin S. Awab (*Chairman*)
Chuah Chong Ewe
Lee Lean Suan
Nah Ren Ren

Secretaries

Wong Yee Lin (MIA15898)
SSM Practicing No : 201908001793
Hing Poe Pyng (MAICSA 7053526)
SSM Practicing No : 202008001322

Registered Office

51-8-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-373 6616
Fax : 04-373 6615

Business Address

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

Corporate website

<https://www.lustergroup.com>

Stock Exchange Listing

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

Auditors

Grant Thornton Malaysia PLT (AF: 0737)
201906003682 (LLP0022494-LCA)
Level 5, Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang

Solicitors

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

Bankers

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

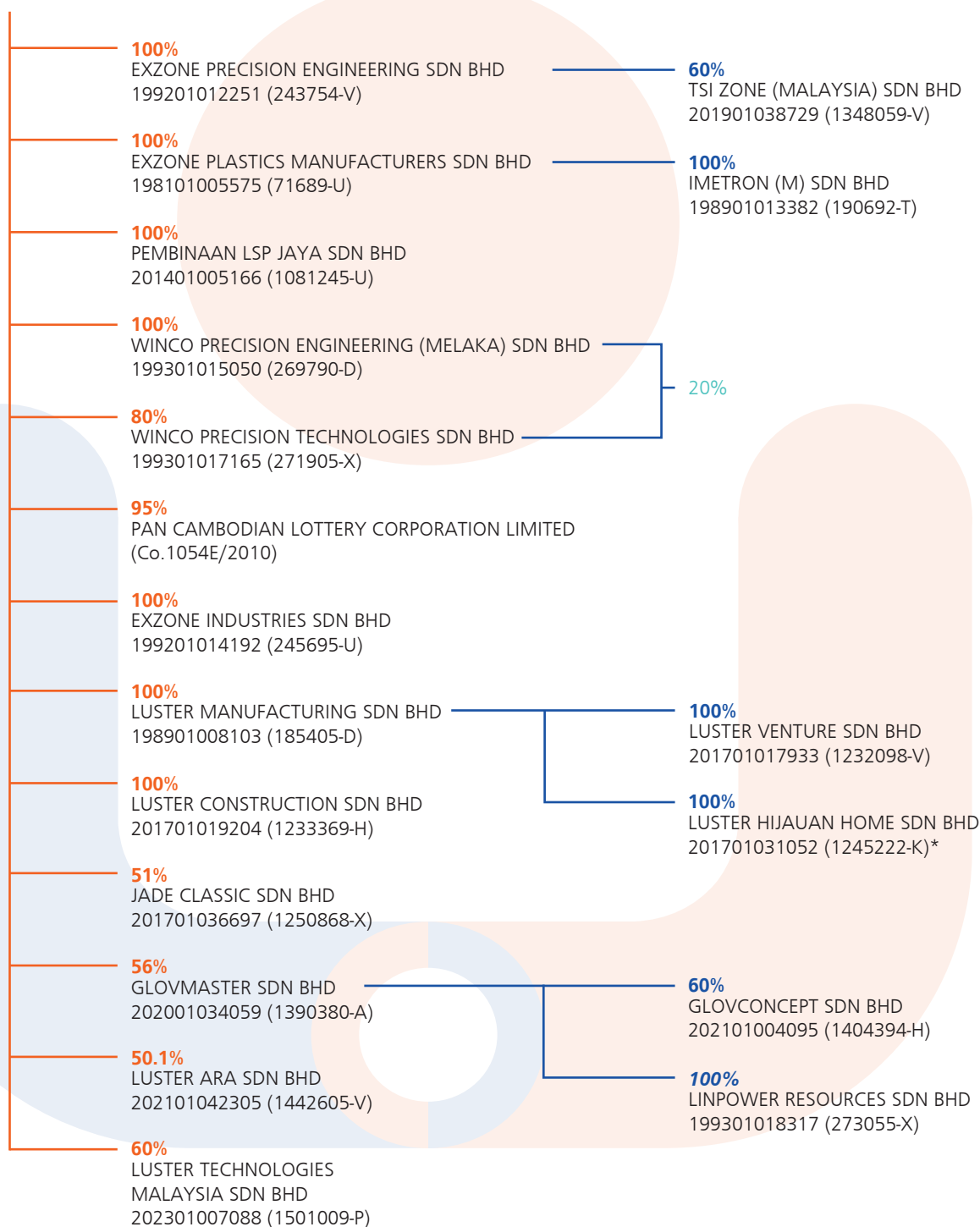
Share Registrar

Braxton Consulting Sdn Bhd
198501008643 (141091-W)
51-8-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04 -373 6616
Fax : 04 -373 6615

Corporate Structure



LUSTER INDUSTRIES BHD
198601006973 (156148-P)



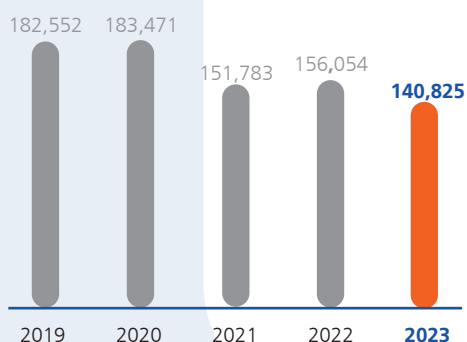
* Application for strike off from the register of Companies Commission of Malaysia submitted on 29 December 2023

Financial Highlights

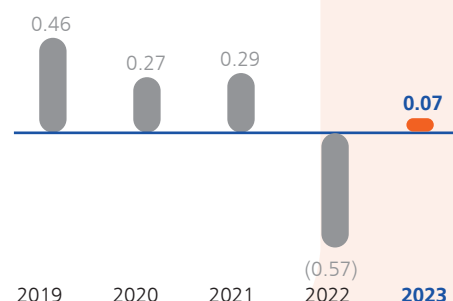
Five Years Financial Highlights

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	182,552	183,471	151,783	156,054	140,825
Profit/(Loss) Before Tax	12,746	9,592	14,077	(15,092)	4,538
Profit/(Loss) After Tax	9,255	5,889	8,720	(18,607)	1,662
Profit/(Loss) After Tax Attributable To Owners Of The Company	9,236	5,964	8,470	(16,914)	2,106
Paid-up Capital	207,829	299,299	299,305	312,270	312,275
Total Assets	243,877	354,838	509,995	556,175	540,579
Shareholders Fund	184,070	282,495	294,127	283,972	288,323
Basic Earnings/(Loss) Per Share (Sen)	0.46	0.27	0.29	(0.57)	0.07
Net Assets Per Share (RM)	0.09	0.10	0.10	0.09	0.10

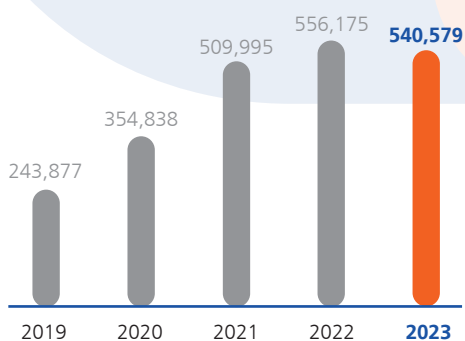
Revenue (RM'000)



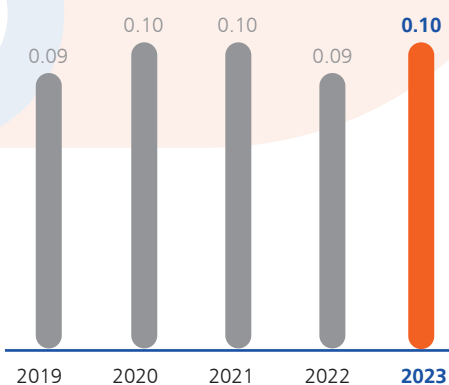
Basic Earnings/(Loss) Per Share (Sen)



Total Assets (RM'000)







Net Assets Per Share (RM)



Management Discussion and Analysis

Overview of Business and Operations

Luster Industries Bhd (“LIB” or “Luster”) is an investment holding company whereby the activities of the subsidiaries can be segregated into the following:

Business Segments	Activities
 <p>Manufacturing</p>	<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; Original Equipment Manufacturer (“OEM”) manufacturing for hygiene and pests control products; Precision engineering work and manufacturing of die-casting components; and Manufacturing of carbon fibre related materials and aerosol product. <p>The companies operating under this segment are Exzone Precision Engineering Sdn Bhd, Winco Precision Engineering (Melaka) Sdn Bhd and Luster Technologies Malaysia Sdn Bhd.</p>
 <p>Glove & healthcare</p>	<p>The activities in this segment consist of:</p> <ol style="list-style-type: none"> Manufacturing, sales and distribution of latex examination gloves; and Provision of glove related system, technology, supply chain and operations best practices as one stop solutions. <p>The companies operating under this segment are Glovmaster Sdn Bhd and Glovconcept Sdn Bhd.</p>
 <p>Property development and construction</p>	<p>The companies operating under this segment are Pembinaan LSP Jaya Sdn Bhd, Luster Construction Sdn Bhd, Luster Venture Sdn Bhd, Jade Classic Sdn Bhd and Luster Ara Sdn Bhd.</p>
 <p>Gaming and leisure</p>	<p>Lottery operator in Cambodia.</p> <p>The company operating under this segment is Pan Cambodian Lottery Corporation Limited.</p>

In 2023, the global economy continued to face a series of challenges. High interest rates, elevated inflation, slowing global trade, and geopolitical tensions created a high level of uncertainty and weighed down on global growth during the year. Despite initial positive signs early in the year with the reopening of China’s economy post-COVID-19, the optimism and momentum of China’s recovery were short-lived. The Group will continue to further improve on its productivity and cost structure in order to better position itself in the current competitive and uncertain market condition. All of the projects that we have embarked on will be on-going.

Despite facing challenging market conditions, the Group aims to consistently pursue opportunities in both domestic and international markets to bolster its market presence and profitability. In pursuit of this goal, the Group remains dedicated to delivering high-quality products, actively innovating to broaden its customer base, and securing additional orders. These efforts are geared towards fostering long-term sustainability and growth. The Group will remain prudent in all its operations and look for new business opportunities to adapt to market changes and maintain its competitiveness.

The Group is taking careful and prudence steps by maintaining minimum operation overheads on its glove manufacturing activities in Malaysia due to low average selling price of gloves. For the Engineering, Procurement, Construction and Commissioning (“EPCC”) contract and Glove Technology Solution, the Group focus on its ongoing project of its installation of production lines tailored to the specific needs for American Nitrile Operations, LLC, in USA. The project has consistently and incrementally added value to the financial position of the Group. By prioritising the successful execution of this installation project, the Group not only strengthens its relationship with American Nitrile Operations, LLC but also enhances its overall market standing and competitiveness within the industry.

The Board believes that the property development and construction segment has growth potential and its development projects particularly in Klang Valley are in various stages of approval by authorities and preparation of soft launching. Both projects, situated in Cybersouth (featuring landed terrace houses and townhouses) and Ara Damansara (comprising high-rise service apartments and retail integrated development), are strategically positioned in prime locations. Each project has the potential to appeal to distinct customer demographics based on their preferred living lifestyle, thereby enabling the capture of a broader market demand. The Board is confident that once the projects launch, the projects will contribute positively to the financial of the Group.

Management Discussion and Analysis (Cont'd)

Overview of Business and Operations (cont'd)

Given the current market condition, the Board will remain its current position in the gaming and leisure segment in Cambodia.

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

Financial Performance

The Group recorded a revenue of RM140.8 million and RM156.1 million in financial year ended 31 December 2023 ("FYE2023") and financial year ended 31 December 2022 ("FYE2022") respectively. The revenue recorded was mainly contributed from manufacturing segment, RM119.9 million in FYE2023 as compared to RM143.8 million in FYE2022. The decline in revenue in FYE2023 was mainly due to reduced demand from plastic formwork, hygiene and pest control product as well as decreased sales within the machining division. The Group recorded a profit before tax ("PBT") of RM4.5 million in FYE2023 as compared to loss before tax ("LBT") of RM15.1 million in FYE2022. The LBT recorded in FYE2022 was mainly due to the followings:-

No	Description	Amount
a)	Goodwill Impairment	RM6.4 million
b)	Provision for the allowance for expected credit losses on amount owing in relation to a material litigation	RM5.7 million
c)	Written off inventory properties and deposit for the Pengkalan Hulu project	RM4.8 million
	Total	RM16.9 million

The Group's total assets had decreased by RM15.6 million from RM556.2 million as at 31 December 2022 to RM540.6 million as at 31 December 2023. The Group's current assets was RM372.4 million as at 31 December 2023 as compared to RM398.1 million as at 31 December 2022, representing a drop of RM25.7 million. The decrease in total assets and current assets was mainly due to the recognition of costs related to EPCC glove project in USA which resulted in a drop in the contract costs as at 31 December 2023 as compared to 31 December 2022. The inventories and trade receivables for the manufacturing segment and the property development and construction segment also contribute to the decrease in current assets as at 31 December 2023 as compared to 31 December 2022. The Group's fixed deposits and cash and bank balances had increased by RM1.8 million from RM70.4 million as at 31 December 2022 to RM72.2 million as at 31 December 2023. The Group's total liabilities decreased by RM19.9 million from RM272.2 million as at 31 December 2022 to RM252.3 million as at 31 December 2023. This was mainly due to the recognition of income for the EPCC glove project in USA in FYE2023 which had reduced the contract liabilities. The Group's borrowings had reduced by RM9.4 million from RM68.6 million as at 31 December 2022 to RM59.2 million as at 31 December 2023, mainly due to the repayment of its borrowings.

The Group's financial position remained strong and recorded the net asset value per share attributable to equity holders of the Group of RM0.10 per share for financial year ended 31 December 2023 and RM0.09 per share for financial year ended 31 December 2022. The Group's gearing ratio remained within the manageable level at 0.21 times as at 31 December 2023 as compared to 0.24 times as at 31 December 2022.

The Group's cash and bank balances was RM50.7 million as at 31 December 2023 as compared to RM64.9 million as at 31 December 2022. The decrease in cash and bank balances was mainly due to placement of fund into fixed deposits accounts. The Group's fixed deposits have increased from RM5.5 million as at 31 December 2022 to RM21.5 million as at 31 December 2023.

The capital expenditure spent in FYE2023 was mainly for the construction of the glove factory and glove production lines as well as the construction of the sales gallery for the Cybersouth project.

Based on Bank Negara Malaysia's annual report 2023, despite the challenging global conditions, Malaysia's economy continued to expand, growing by 3.7% in 2023 (2022: 8.7%). The more moderate growth also reflected normalising conditions following the economic rebound in 2022, which was supported by the reopening of the economy and sizeable policy measures. During the year, Malaysia's economy was supported by resilient domestic demand and further recovery in tourism activities. Labour market conditions improved as the unemployment rate declined to its pre-pandemic level. Employment continued to grow amid ongoing economic expansion. These improvements, along with policy measures such as targeted cash transfers, provided a lift to Malaysian household spending. Rising tourist arrivals also boosted Malaysia's tourism sector and supported domestic businesses. Continued progress in large investment projects throughout the year further contributed to domestic growth. With this, the Group will continue to observe a balanced and diversified business portfolio.

Management Discussion and Analysis (Cont'd)

Manufacturing Segment

The revenue for manufacturing segment had decreased by RM23.9 million from RM143.8 million in FYE2022 to RM119.9 million in FYE2023 mainly due to the reduced demand from plastic formwork, hygiene and pest control product as well as decreased sales within the machining division. The PBT recorded in FYE2023 was RM6.4 million as compared to RM4.1 million after taking into consideration the impact of goodwill impairment of RM6.4 million in FYE2022.

Property Development and Construction Segment

Property development and construction segment had recorded a revenue and LBT of RM5.2 million and RM1.3 million respectively in FYE2023 as compared to revenue and LBT of RM1.5 million and RM8.6 million respectively in FYE2022. The revenue increased in current year was mainly due to commencement of work of new phase in Taman Perda Indah. The higher loss in FYE2022 was mainly due to the lower sales recorded and the written off of inventory properties and the deposit for the Pengkalan Hulu project of RM4.8 million.

Glove and Healthcare

For glove and healthcare segment, a revenue and PBT of RM13.2 million and RM1.2 million was recorded in the FYE 2023 as compared to revenue and LBT of RM7.1 million and RM2.8 million in FYE 2022. The increase in revenue and PBT in the current period was attributed mainly to the full year recognition of revenue stemming from the more advanced stage of construction and installation of glove production lines in the USA. This stands in contrast to the revenue recognition in the corresponding previous year, where the construction and installation of glove production lines commenced only in the fourth quarter of 2022. The revenue was generated from the ongoing project involving the installation of glove production lines in the USA, while the Group is strategically minimising operational overheads for its glove manufacturing activities in Malaysia due to the prevailing low average selling price of gloves.

Gaming and Leisure Segment

The gaming and leisure segment had recorded a revenue of RM2.6 million in FYE2023 as compared to RM3.7 million in FYE2022. The PBT recorded was RM0.2 million in FYE2023 as compared to RM0.5 million in FYE2022. The Group will adopt a status quo strategy for this segment.

Risks Assumed in Business Operations

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

i) Business Risk

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

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

ii) Political, Economic and Regulatory Considerations

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

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

This is mitigated by the Group's diverse and wide customer base locally and overseas, and the Group will continue to adopt effective measures such as prudent management and efficient operating procedures to further mitigate these factors that may affect the Group's business. The Group will also continuously keep abreast with the latest development in the political, economic and regulatory in relation to its business.

Management Discussion and Analysis (Cont'd)

Risks Assumed in Business Operations (cont'd)

iii) Foreign Exchange Risks

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

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

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

iv) Liquidity Risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met and maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

Forward Looking Statement

Based on a report by World Bank in January 2024, global growth is expected to slow to 2.4 percent in 2024, the third consecutive year of deceleration, reflecting the lagged and ongoing effects of tight monetary policies to rein in decades-high inflation, restrictive credit conditions, and anemic global trade and investment. In light of this, the Group will proactively take measures to maintain its steadfastness and optimise opportunities presented in all economic situations.

The Board maintains a cautiously optimistic perspective on the outlook for year 2024 and expecting the market environment characterised by stability and a gradual recovery. The Board anticipate the presence of political stability and transparent policies implemented by the government will serve as an attractive incentive for foreign investors, thereby bolstering economic activity and fostering sustained growth within the country.

For the manufacturing segment, the Board anticipates that revenue in the manufacturing sector will remain steady, indicating a period of stability in income generation without significant fluctuations expected. However, with the increment of the production cost generally, the Group is aiming to enhance productivity and streamline production costs in maintaining competitiveness.

For glove and healthcare segment, following more than 2 years of de-stocking, the glove industry is now witnessing a pick-up in demand. This industry is also seeing a stabilisation of the average selling price due to the tightening in supply and demand, and producers are expected to benefit from improved utilisation and the resulting operating leverage. With this, the Board is confident that the Group are progressing towards recovery, and the long-term prospects for the glove industry will inevitably become increasingly promising as time goes on. While the Board is extremely careful with glove manufacturing, the EPCC contract with American Nitrile Operations, LLC, is progressing well and completion of few lines are expected in year 2024.

For the property development and construction segment, the "Cybersouth" project (landed terrace houses and townhouses development) in Mukim Dengkil, Negeri Selangor and "Ara Damansara" project (high-rise service apartment and retail integrated development) in Mukim Damansara, Negeri Selangor are in preparation stage for soft launch targeting first half of 2024. Overall, the strategic location of these development projects positions us favourably to capitalise on market demand and contribute positively to the Group's financial performance.

The Board continues to explore the opportunities present in the market place either locally or abroad, from within its core business or other business segments, to enhance its revenue and profitability.

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

Directors' and Key Senior Management Profile

Chuah Chong Ewe

Managing Director / Key Senior Management
Male | Malaysian | 57

Mr Chuah Chong Ewe was appointed to the Board of Luster as an Executive Director on 21 September 2018, and subsequently redesignated as Managing Director on 28 February 2023. He is a member of the Risk Management Committee. His main responsibilities are to lead the strategic business direction of the Group.

He graduated from University of Malaya with a degree in LLB (Hons). He was admitted to the Malaysian Bar Council on 26 February 1993 and in the same year started his career as an advocate and solicitor practicing for approximately 20 years before he ceased practice and venture into corporate commercial field.

In 2005, he joined Seal Incorporated Berhad as Advisor before being assigned as its Group Chief Executive Officer. He spearheaded the strategic move and transformational restructuring in Seal Incorporated Berhad from a heavily indebted position into a profitable net cash corporation with diversified earnings base before leaving in October 2014.

He joined Pentamaster Corporation Berhad in 2015 as its Chief Executive Officer and Executive Director. He resigned in 2021 but remains major shareholder of Pentamaster Corporation Berhad.

He joined Aimflex Berhad as Executive Director on 25 January 2022 and subsequently redesignated as Executive Chairman on 21 September 2023. He is now major shareholder of Aimflex Berhad.

He joined LFE Corporation Berhad as Executive Chairman on 29 May 2023. He is now major shareholder of LFE Corporation Berhad.

Liang Wooi Gee

Executive Director / Key Senior Management
Male | Malaysian | 52

Mr Liang Wooi Gee was appointed to the Board of Luster as an Executive Director on 30 September 2008.

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

He is currently the Group Chief Financial Officer. He holds a Higher Diploma in Management Accounting and is currently a finalist of Chartered Institute of Management Accountant ("CIMA").

Phuah Cheng Peng

Executive Director / Key Senior Management
Male | Malaysian | 48

Mr Phuah Cheng Peng was appointed to the Board of Luster as an Executive Director on 21 July 2017.

He started his career in the planning and designing of major infrastructural work for township development, construction and project management. In 2005, he ventured into property development mainly on landed development of affordable housing in the northern region. In 2010, he managed to procure several high potential land and lead a group of professionals to pursue on high-rise and landed development in Penang, Kedah, Kelantan and Klang Valley. He was appointed as managing director of GSD Group of Companies and its associate companies, which are involved in property development and construction, in 2010. He had successfully completed a number of iconic projects in Penang Island with a total gross development value of more than RM1.5 billion which consist of 1,600 units of mixed residential and commercial properties. Under his leadership, he had also completed a number of construction projects with value of more than RM650 million. He had also successfully completed 1,200 units of mixed development, mainly affordable housing and commercial units in Kedah, Penang and Kelantan with gross development value of more than RM300 million. He left GSD Group of Companies and its associate companies in 2016 and appointed as an advisor to the Group.

He obtained his Bachelor in Mechanical Engineering from Universiti Teknologi Malaysia.

He is the managing director of Luster Construction Sdn Bhd, Luster Venture Sdn Bhd and Jade Classic Sdn Bhd.

Directors' and Key Senior Management Profile (Cont'd)

Wee Song He, Wilson

Executive Director / Key Senior Management
Male | Singaporean | 44

Mr Wee Song He, Wilson was appointed as an Executive Director of Luster Industries Bhd on 12 June 2012. He graduated with a Diploma in Digital Film Arts from School of Audio Engineering in 2005. He joined the private education sector for two years, where he was responsible in lecturing key programs and program coordination. In 2007, he joined Winco Precision Engineering (Melaka) Sdn Bhd ("WPESB") and Winco Precision Technologies Sdn Bhd ("WPTSB") as 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.

Chuah Chong San

Executive Director / Key Senior Management
Male | Malaysian | 60

Mr Chuah Chong San was appointed to the Board of Luster as an Alternate Director on 22 September 2020; he resigned as an Alternate Director of Mr Chuah Chong Ewe and was appointed as an Executive Director of Luster on 5 July 2021.

Upon obtaining his degree in Electrical Engineering, he started his career in Motorola Malaysia Sdn Bhd ("Motorola") as Test System Engineer. In 1998, he had transferred to the Internal Control function, focusing on Information Technology ("IT") and Information Security Protection & Compliance. He was promoted to perform engineering management roles in 2000. He led a team to digitise and transform key supply chain business processes. He was promoted to Penang IT lead in 2005 to manage simplification and consolidation of Enterprise Resource Planning ("ERP") system across multiple businesses within Motorola. During his IT career, he had the opportunities to play IT lead roles in multiple Merger, Acquisition and Divestiture projects. In 2016, he was promoted to be the Asia Pacific IT lead, focusing on modernising the IT Infrastructure, partnering with Third-Party Logistics ("3PL") and Electronics Manufacturing Services ("EMS") to deliver IT solution and supporting IT services in 12 Asia Pacific countries. He left Motorola Solutions in 2020.

He joined Aimflex Berhad as Executive Director on 25 January 2022 and subsequently a Managing Director on 21 September 2023.

He graduated from University Malaysia with degree in Electrical Engineering in 1989. In 1998, he obtained his Master of Business Administration from Universiti Sains Malaysia.

He is the director of Exzone Precision Engineering Sdn Bhd, Glovmaster Sdn Bhd ("GMSB") and Glovconcept Sdn Bhd.

Ahmad Kamal Bin S. Awab

Independent Non-Executive Director
Male | Malaysian | 68

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

He is a banking and business management veteran of more than 35 years plus and a well-known and recognised individual for his wide circuit in handling and managing relationships of global multi-national companies, financial institutions and local corporations as well as public sector state agencies and government-linked companies. He has a proven exemplary track record in areas of credit and risk management, global transaction services, capital markets, corporate finance, derivatives and treasury products in his years of services with global banking institutions such as Citibank, ABN-AMRO Bank and Deutsche Bank. He also served as a senior general manager of Malaysia Nasional Insurance for a period of one year before joining H2O Capital Sdn Bhd as its advisor and director where he served for 6 years before leaving the company in 2008 to take up the position as the Head of Global Corporate and Financial Institutions for the Commercial Bank of Qatar, (a Stock Company of Qatar) in Doha, Qatar. Apart from his role as Head of Global Corporate and Financial Institutions, he also oversaw the international syndication portfolios and corporate finance transactions which included remedial, recovery management primarily restructuring and reconstructing credit/debt defaults. In addition, he was also entrusted with the responsibility of overseeing audit, risk management, corporate governance and compliance where he was exposed to the aspects of another regional market covering the Middle East and North Africa.

He left Commercial Bank of Qatar in 2013. In 2014, he was made the advisor and ASEAN Regional Representative of Bridgeway Finance Limited, United Kingdom; and in the same year was also appointed as advisor to COGE Global Ventures Sdn Bhd (where he has since resigned from the two positions in December 2018). In August 2017, he was appointed as director of Leverage3 Consulting Sdn Bhd and director of business development of Premium Capital Partners Sdn Bhd, a nonbank lender pioneer in General Insurance Premium financing business of extending credit to policyholders ("insured") to pay insurance premium.

In August 2018, he was appointed as director and Responsible Person (RP) of Crowd Sense Sdn Bhd, a Recognised Market Operator (RMO) for Peer-to-Peer (P2P) Crowd Financing under its digital platform 'cofundr.com.my' which is supervised and governed by Securities Commission Malaysia.

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

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

Directors' and Key Senior Management Profile (Cont'd)

Lee Lean Suan

Independent Non-Executive Director
Female | Malaysian | 57

Ms. Lee was appointed as an Independent Non-Executive Director on 28 February 2023. Ms Lee graduated from University of Malaya with a degree in Bachelor of Accounting (Hons). She completed her professional examinations with the Malaysian Association of Certified Public Accountants. She is a member of Malaysian Institute of Accountants and a fellow member of Malaysian Institute of Taxation.

Ms Lee started her career as an auditor from year 1992 to 1995 in an international audit firm where she gained experience in auditing clients from different types of industries ranging from trading, manufacturing, retailing, finance, banking, property development to services. She was involved in corporate business service in preparing clients for listing in KLSE and Financial Consultant of abandoned housing projects under Tabung Projek Perumahan Terbangkalai Bank Negara Malaysia.

In 1995, she joined a public listed company as Group Accountant where her job responsibilities were mainly in the area of consolidated group accounts, finance, treasury, taxation, internal control, corporate governance and administration. She was subsequently promoted to Financial Controller and CEO in a subsidiary of the said public listed company. She was involved in the setting up the education arm of the said public listed company group (the "Group").

In 2003, she performed a management buy-out of a private institution of higher learning from the Group. As the CEO and Financial Director, she upgraded the college to a 5 star rated international college and subsequently, she retired in 2018.

In 2022, she was appointed as an Independent Non-executive Director and Audit Committee Chairman of Sin Kung Logistics Bhd.

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

Nah Ren Ren

Independent Non-Executive Director
Male | Malaysian | 60

Mr. Nah Ren Ren was appointed as an Independent Non-Executive Director on 28 August 2023.

He graduated from RMIT University in Australia in 1990 with a degree in Computer Science. Since his graduation, he started his career with his family business in metal furniture fabrication, tool and die making, machine automation, machine system programming, metal stamping, metal surface plating and metal / ceramic injection moulding industries. He is responsible for the business and manufacturing management of the company.

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

Yee Voon Hon

Key Senior Management
Male | Malaysian | 40

Mr. Yee Voon Hon is the director of GMSB responsible for manufacturing and operation management of GMSB.

Mr. Yee graduated with a Bachelor of Commerce (Marketing and Public Relations), a double major from Curtin University, Australia in 2005. Since his graduation, he started his career with his family business, which is involved in the manufacturing of textile and garments. In 2010, he left his family business and started a new business, which is involved in the manufacturing of natural (non-nitrile) rubber gloves through his own private company. With the experience in the manufacturing of gloves, Mr. Yee has, over the years, accumulated the required skillset, technical knowhow and vast knowledge in respect of the gloves dipping lines and the setting up of production lines.

Goh Khoon Hau

Group Financial Controller
Male | Malaysian | 53

Mr Goh Khoon Hau 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 1998 and held a position of internal auditor in a multinational company until 2000. In 2000, he left to join Exzone Precision Engineering Sdn Bhd as an assistant manager. He was promoted to manager in 2006 and subsequently to Group Financial Controller on 26 August 2008.

Notes:

1. Other than traffic offences, none of the Directors/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. Mr Chuah Chong Ewe and Chuah Chong San are both the Director of Aimflex Berhad. Mr Chuah Chong Ewe is the Director of LFE Corporation Berhad. Save as disclosed herein, none of our Directors/Key Senior Management hold or have held any directorship in other public companies and listed companies.
3. None of the Directors/Key Senior Management have any family relationship with any director of major shareholder, save for Mr Chuah Chong Ewe and Chuah Chong San, which are brothers.
4. None of the Directors/Key Senior Management have conflict of interest with the Company, or any business arrangement involving the Company other than as disclosed in the notes to the financial statements.

Sustainability Statement

INTRODUCTION

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

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

SCOPE OF REPORTING

This Statement covers the sustainability practices and initiatives of LIB and Exzone Precision Engineering Sdn Bhd ("EPE") for the financial year ended 31 December 2023 unless otherwise stated. Information disclosed in this Statement encompasses our activities related to manufacturing, assembly and sale of plastic moulded components and parts, which together contribute to about 79% of the Group's total revenue.

COMMITMENT TO SUSTAINABILITY

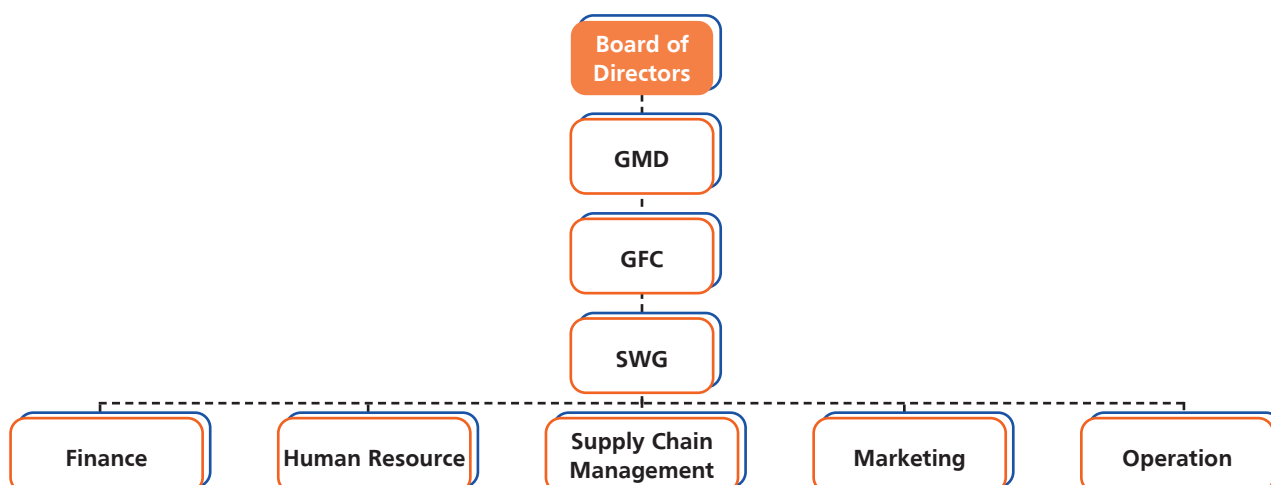
Sustainability practices should be embedded and integrated into the business operations of an organisation rather than on a standalone basis, to ensure continuity, relevance and sustainability of the practices. In order to embed sustainability effectively, our Board of Directors ("Board") has committed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

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

On 27 December 2023, EPE has received a "Bronze" metal in EcoVadis Sustainability Rating. This leadership rating of "Bronze" metal places EPE among the top 35 percent of all companies rated by EcoVadis. EPE demonstrates its establishment sustainability practices within its operations as it has implementing initiatives to address environment, social and ethical aspects of its business. EPE also demonstrates its dedication to sustainability by integrating various initiatives into its operations that focus on environmental conservation, social responsibility, and ethical business practices. By actively engaging in these efforts, we can strive towards even greater sustainability in its operations over time.

GOVERNANCE STRUCTURE

The reporting governance structure is as follows:



Sustainability Statement (Cont'd)

GOVERNANCE STRUCTURE (cont'd)

The roles and responsibilities of the governance bodies are:

The Board




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

SWG

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

Sustainability Practices

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

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

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







STAKEHOLDERS ENGAGEMENT

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

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

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

Stakeholder Groups	Areas of Interest	Engagement Platforms
 Investors/shareholders	<ul style="list-style-type: none"> Return on investment Financial performance Business prospects 	<ul style="list-style-type: none"> Engagement with shareholders during the Company's Annual General Meeting Quarterly reporting Dissemination of information through press release and the Company's website Investors' briefing Independent analysts' report
 Customers	<ul style="list-style-type: none"> Product quality Manufacturing capacity Reliability Competitive prices Collection within credit period 	<ul style="list-style-type: none"> Customers' feedback Customer audits After sales service Sales and marketing visits Manufacturing collaboration
 Vendors	<ul style="list-style-type: none"> Procurement policy and procedures Prompt payments within credit period Business prospects and financial stability 	<ul style="list-style-type: none"> Disseminate procurement policy and procedures Assessment on suitability of vendors Reinforcement of ethical business practices
 Employees	<ul style="list-style-type: none"> Competitive salary and benefits package Clear line of reporting and proper communication channel Work-life balance Career path and opportunities 	<ul style="list-style-type: none"> Employees handbook Survey on human resource ("HR") practices in the market On-the-job, internal and external training Engagement with employees Sports and recreation programme Occupational safety and health Fair Labour Practices and Human Rights Diversity, Equality and Inclusion
 Communities	<ul style="list-style-type: none"> Impact of operations on surrounding environment Corporate social responsibility 	<ul style="list-style-type: none"> Engagement with local communities Provide job opportunities Pay attention to polluting emissions and effluents
 Regulatory authorities	<ul style="list-style-type: none"> Compliance with existing laws Standards and certification 	<ul style="list-style-type: none"> Updates on rules and regulations Consultation with authorities Attendance at relevant seminars and conferences

Material Sustainability Matters

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

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

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

		Sustainability Pillars		
		Economic	Environmental	Social
Material Sustainability Matters	Customer Satisfaction	▲		
	Manufacturing	▲		
	Supply Chain Management	▲		
	Waste Management		●	
	Noise Pollution Control		●	
	Air Emissions		●	
	Occupational Safety and Health			■
	Corporate Social Responsibility			■
	Employees			■
Legend:		▲ Economic	● Environmental	■ Social

Economic

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

Depending on the financial performance of our Group, we are mindful of rewarding our shareholders with the appropriate returns on their investments in our Company. We always engage our shareholders during our annual general meeting which is a platform for them to air their views and to question management on matters of interest. We have in place policies and practices which govern our business dealings and the conduct of our employees and the same have been disseminated to all concerned either through our website or made known to employees at their place of work.

- **Marketplace**

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

- **Customer satisfaction**

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

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

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

The annual average performance rating in 2023 is 4.0, while rating for 2022 is 4.1. Our management's target for overall customer satisfaction rating is 3.0 and above.

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

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Economic (cont'd)

- Customer satisfaction (cont'd)**

Customer Performance Rating			
2023	2022	2021	Target
4.0	4.1	3.8	3.0

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

- Manufacturing collaboration**

We have established a strong research and development (“R&D”) team to provide value added services to our customers. Our R&D team spent time and effort to improvise on our customers’ product designs and types of material usage with a view of enhancing the product’s efficiency as well as reducing cost of production for our customers. As we have the intimate knowledge of some of our customers’ products and market demands and expectations, our R&D team has leveraged on this knowledge to take the initiative to work concurrently with our customers to develop new products for them. We strongly believe our initiatives will sustain our business for the long term besides creating values for our stakeholders.

- Lean manufacturing**

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

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

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

ACTION	IMPACTS
OBJECTIVE 1: Reduce operation and transportation cost	
Plant consolidation	Plant consolidation reduces operation and transportation costs by optimising resources, streamlining supply chains, and improving efficiency through economies of scale and reduced overhead.
OBJECTIVE 2: Replace current material which rescinded from UL94 rating certification	
Three alternative materials	The introduction of three new alternative materials ensures continuous production without affecting operations.
OBJECTIVE 3: Environmental Control	
Used biodegradable polybags for packaging	Using biodegradable polybags for packaging is eco-friendly, as they naturally break down without harming the environment. This choice reduces plastic waste, supports sustainability, and maintains packaging quality.

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Economic (cont'd)

- Supply chain management**

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

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

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

- Local Procurement**

We are strongly dedicated to supporting the local economy and communities in our operational areas. This commitment is evident in our preference for local suppliers who meet our high standards for quality, reliability, and cost-effectiveness.

Engaging in local procurement brings significant social and economic benefits. By supporting local businesses, we actively stimulate economic development, create opportunities for growth and innovation, and foster positive changes within local communities. This comprehensive approach also contributes to job creation, skill development, and overall enhancement of the community.

While our dedication to local sourcing remains steadfast, we recognise that in certain instances, relying on foreign suppliers may be unavoidable, particularly for raw materials not easily accessible locally. Nonetheless, we consistently seek ways to lessen reliance on foreign suppliers, actively partnering with stakeholders and suppliers to develop a more resilient and sustainable supply chain.

Through collaborative efforts, we have confidence in our capacity to establish a supply chain that fulfills our business requirements while also fostering sustainable development in the areas we operate.

Local Procurement	2023
Proportion of spending on local suppliers	73%

- Certification and awards**

We have acquired the following certifications:

- ISO 9001:2015 – Quality Management Systems which sums up the high standard of management practices in our organisation. This certification ensures our customers consistently receive high quality product and services, which in turn brings many benefits to our customers and our organisation.
- ISO 14001:2015 – Environmental Management System – Requirements with Guidance for Use. This certification confirms our commitment towards improving our environmental performance through more efficient use of resources and reduction of waste.
- ISO 45001:2018 – Occupational Health and Safety Management System. This standard provides a framework to identify, control and decrease the risks associated with health and safety within the workplace. Implementing the standard shows that employee’s health and safety is a priority within your organisation.

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Economic (cont'd)

- Certification and awards (cont'd)**

- IATF 16949:2016– Quality Management System Certificate of the Automotive Company. This system is based on the process approach and it provides an organized way to document and codify specific work practices in ways that best serve our automotive customers’ needs.
- ISO 13485:2016 – Quality Management System. With this, we are certified as a medical device manufacturer that establish and maintain the effectiveness of our processes. It ensures the consistent design, development, production, installation, and delivery of medical devices that are safe for their intended purpose.
- Green Certificate Partner - Sony introduced its “Green Partner Environmental Quality Approval System” as an operation system for ensuring that suppliers comply with these standards and regulations. Sony allowed to procure from suppliers who are certified as Green Partners only. We are certified as a Green Partner who cooperate in the production of environmentally sensitive products.
- "Bronze" metal in EcoVadis Sustainability Rating - EcoVadis is a globally recognised assessment platform that rates businesses' sustainability based on four key categories: environmental impact, labour, and human rights standards, ethics, and procurement practices. This award confirms our establishment's sustainability practices within the EPE's operations, as we have implemented initiatives to address environmental, social, and ethical aspects of the business.

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

Environmental

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

- Waste management**

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

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

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

- Noise pollution control**

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

LOCATION	DAY TIME			NIGHT TIME		
	PERMISSIBLE SOUND LEVEL: 70dBA			PERMISSIBLE SOUND LEVEL: 60dBA		
	2023	2022	2021	2023	2022	2021
1) Near Bomba Tank	70.1	69.7	61.8	60.7	62.9	55.6
2) Near Motor Parking Area	56.1	55.5	57.5	53.6	51.6	53.8
3) Near First Aid Room	65.3	56.9	58.1	59.6	53.1	55.6
4) Near Scheduled Waste	67.1	50.0	57.7	60.7	47.4	53.2

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Environmental (cont'd)

- Noise pollution control (cont'd)**

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

- Air emissions**

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

2023		
CHIMNEY	PARAMETER	REMARK
Chimney 4	Particulate matter / Non-methane volatile organic compounds ("NMVOC") / Dark Smoke	Complied

- Energy Management**

With a commitment to sustainability, we aim to minimise our energy consumption through mindful usage of energy and resources. We have centralised most of our operations in one centralised location, to reduce resources consumption in several areas. We strongly encourage our employees to promptly turn off any unnecessary energy sources, especially when they are not in use.

Year	2023
Energy Consumption (Megawatt)	9,378.8

- Water Consumption and Conservation**

As part of our environmental initiatives, we are dedicated to reduce water consumption, preventing water wastage and water pollution, beginning at its headquarters. Consistent monitoring of water meter readings aids in curbing excessive usage and identifying any water loss resulting from leaks. We will continue implementing diverse strategies to enhance efficiency in minimising water wastage, demonstrating our unwavering commitment to responsible water stewardship as an integral component of our broader sustainability efforts.

Year	2023
Water Consumption (Megalitres)	43.6

Social

- Occupational safety and health**

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

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

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Social (cont'd)

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

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

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

With the above controls put in place, we recorded no major work incidents nor any fine or monetary sanction imposed related to occupational safety and health aspects during the financial year under review.

Key Matter Assessments	2023
No. of Work-Related Fatalities	Nil
Lost Time Incident Rate	223
Number of Employees Trained on Health and Safety Standards	63

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

In year 2023, the following safety and health events have been organised:

Event	2023	2022	2021
Audiometry Test	58 participants	16 participants	Not conducted
Employee Health Screening Program	160 participants	140 participants	Not conducted

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

Total Hours of Training by Employee Category	2023
Top Management	8
Middle Management	216
Indirect Staff	1,592
Direct Staff	64

- Fair Labour Practices and Human Rights**

In our company, we are unwavering in our commitment to uphold human rights and ensure fair labour practices. Establishing a work environment that honours the fundamental rights and well-being of every individual is fundamental to our core values. Within our organisation, we diligently comply with all relevant Malaysian statutory regulations, including the amended Employment Act of 2022. This encompasses essential provisions such as minimum wage, maximum working hours, extended maternity and paternity leave, and other relevant stipulations.

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Social (cont'd)

- Fair Labour Practices and Human Rights (cont'd)**

Our employment policies aim to ensure that all employees benefit from fair working conditions and opportunities. We are committed to providing equal opportunities regardless of gender, ethnicity, or religion, and to eradicating any form of exploitation, including child or forced labour. Upholding our employees' rights is both a legal requirement and a moral duty. Through these principles, we strive to foster a workplace where everyone feels valued and empowered.

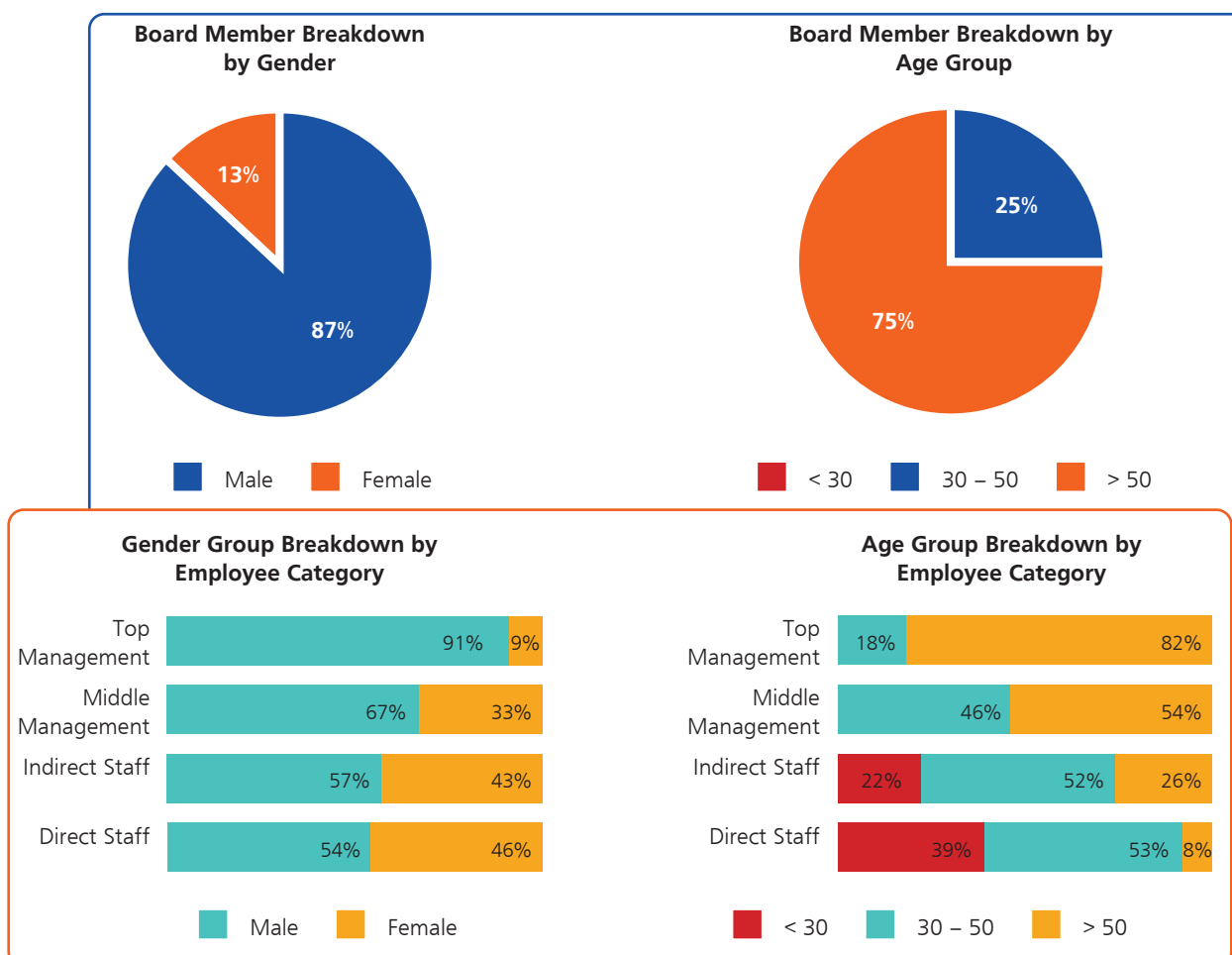
Key Matter Assessments	2023
Number of substantiate complaints concerting human rights violations	Nil

- Diversity, Equality and Inclusion**

We acknowledge and appreciate the distinctive blend of talents, experiences, and skills possessed by each employee, which contributes to our business success. Our objective is to foster an inclusive and non-discriminatory workforce comprising individuals from diverse backgrounds, all equipped with the requisite skills and experience to propel us toward our vision and mission.

Recruitment and promotion decisions are made solely on the basis of merit, capabilities, and experience, ensuring equal opportunities for all employees irrespective of age, gender, identity, ethnicity, or religion.

Below is our employee distribution as of 31 December 2023.



Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Social (cont'd)

- Diversity, Equality and Inclusion (cont'd)**

Total Number of Employee Turnover by Employee Category	2023
Top Management	1
Middle Management	3
Indirect Staff	33
Direct Staff	98

Key Matter Assessments	2023
Percentage of employees that are contractors or temporary staff	Nil
Number of substantiate complaints concerting human rights violations	Nil

- Workplace**

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

- Recruitment**

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

- Career path**

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

- Training**

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

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

- Work-life balance**

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

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Social (cont'd)

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

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

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

- Employee welfare**

We recognise that our employees are the driving force behind our growth and operational success. We organised activities such as festivals celebration for employees and management staff to participate and interact. By celebrating the various festivals among our employees, we have embraced diversities to promote understanding of each other’s culture and thereby creating harmony, peace and joy in our organisation.

The following events were organised for our employees in year 2023:

Event	Date
Health screening (Pathlab)	Mar-2023
Majlis Pelancaran Advokasi Pencegahan Kemalangan PERKESO 2023	Aug-2023

Covid-19 Measures

We have put in all the necessary resources to ensure our employees’ safety and well-being during the Covid-19 pandemic with work from home arrangements, providing free face masks and hand sanitizers and practising social distancing measures at our workplace. Many safety measures were put in place to ensure the utmost care for the safety of employees, especially for those whom we provide accommodation and transportation.

Employee’s Accommodation

To ensure safe and conducive living environment:

- HR Department will carry out quarterly audit on hostels to ensure a proper condition exists in the accommodation provided.
- Weekly hostel sanitization and reporting.
- HR Department will regularly remind the employees to strictly adhere to the Covid-19 standard operating procedures as well as sharing of Covid-19 information on a daily basis.

- Whistleblowing policy**

We are committed to conduct our affairs in an ethical, responsible and transparent manner. In this respect, we have a whistleblowing policy in place whereby our employees are encouraged to report any malpractices or wrongdoings including any illegal conduct in financial reporting to the Chairman of the Audit Committee and to the Human Resource Manager for any employment related concerns. The identity of a whistle blower is protected under this policy.

- Corporate social responsibility**

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

Sustainability Statement (Cont'd)

STAKEHOLDERS ENGAGEMENT (cont'd)

Material Sustainability Matters (cont'd)

Social (cont'd)

- Corporate social responsibility (cont'd)**

As part of our commitment to community engagement, we have 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. In year 2023, we also contributed to the Kesatuan Pekerja Bomba Dan Penyelamat ("KPBP") for participating in the Special Berita KPBP Hari Kebangsaan 2023 issue, aiding in all fire awareness activities toward achieving the Zero Fire (Kebakaran Sifar) aspiration.

Corporate Social Responsibilities	2023
Amount invested in the community	RM25,104
Number of beneficiaries of the investment in the communities	23

GOVERNANCE

Transparency and Integrity

In addition to prioritising business performance, the Group acknowledges the importance of integrity, transparency, and commitment in sustaining the business and enhancing shareholder value. The Board and Management are dedicated to fostering a positive corporate culture that encourages ethical and professional behavior among all employees.

In order to ensure strong corporate governance, the Board has implemented essential policies and procedures, such as the Code of Ethics and Conduct, Whistleblowing Policy, and Anti-Bribery and Corruption Policy. More information regarding the Group's corporate governance practices during the financial year 2023 ("FY2023") can be found in the Corporate Governance Overview Statement in the Annual Report 2023 and the Corporate Governance Report 2023. These initiatives highlight the Group's dedication to responsible business practices that are in line with its core values and principles.

During the FY2023, we did not incur any fines from regulatory authorities due to non-compliance or misconduct in environmental, socio-economic, corporate governance, or anti-corruption matters. We also reported zero incidents of corruption, customer data breaches, or regulatory non-compliance. As part of company policy, all employees underwent briefing sessions and were required to sign the declaration form on yearly basis, with completion achieved across all employee categories during the FY2023.

Anti-Fraud, Bribery and Corruption	2023	
Percentage of employees who have received training on anti-corruption	Top management	0.5%
	Middle management	1%
	Indirect staff	18%
	Direct staff	40%
Percentage of operations assessed for corruption-related risks	0%	
Confirmed incidents of corruption and action taken	Nil	

Data Privacy and Protection

Ensuring data protection and privacy fosters trust between institutions and the public, encourages transparency, and ensures accountability in data handling practices.

As of FY2023, we are proud to report zero incident of data breaches, underscoring our commitment to data privacy and protection.

Customer Privacy and Losses of Customer Data	2023
Number of complaints received from customer	Nil

Sustainability Statement (Cont'd)

GOVERNANCE (cont'd)

Statement of Assurance

In strengthening the credibility of the Sustainability Report, selected parts of this Sustainability Report have been subjected to an internal review by the Company's internal auditors.

The Scope and Subject Matters covered in the review were as follows:

Material Matter	Subject Matters	Scope
Supply chain management	Proportion of spending on local suppliers	EPE's operation
Energy management	Total energy consumption	
Water	Total volume of water used	
Health and safety	Number of work fatalities	
	Lost time incident rate ("LTIR")	
	Number of employees trained on health and safety standards	
Diversity	Percentage of employees by gender and age group, for each employee category	
	Percentage of directors by gender and age group	
Labour practices and standards	Total hours of training by employee category	
	Total number of employee turnover by employee category	
	Percentage of employees that are contractors or temporary staff	
	Number of substantiated complaints concerning human rights violation	
Community/ society	Total amount invested in the community where the target beneficiaries are external to the listed issuer	
	Total number of beneficiaries of the investment in communities	
Anti-corruption	Percentage of employees who have received training on anti-corruption by employee category	
	Percentage of operations assessed for corruption-related risks	
	Confirmed incidents of corruption and action taken	
Data privacy and security	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	

Conclusion

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

We remain resolute in our sustainability journey, assessing Environmental, Social, and Governance (ESG) performance under the leadership of the Board, Management, and SWG Team, demonstrating our commitment and seriousness towards sustainability practices. Our aim is to elevate our Group to the next level of excellence, ensuring both business continuity and value creation.

Corporate Governance Overview Statement

INTRODUCTION

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

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

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report (“CG Report”). Shareholders may obtain the CG Report of the Company by accessing the Company’s website at <https://www.lustergroup.com> for further details.

Principle A: Board Leadership and Effectiveness

I BOARD RESPONSIBILITIES

1.1 Strategic Aims, Values and Standards

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 Chairman is responsible for ensuring the Board’s effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board’s policies and decisions.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors, and Management as well as on properly constituted Board Committees comprising mainly Non-Executive Directors.

The Board Committees are made up of the Audit Committee (“AC”), Nominating Committee (“NC”), Remuneration Committee (“RC”) and Risk Management Committee (“RMC”); and are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference (“TOR”).

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

Notwithstanding the delegation of specific powers, the Board retains full responsibility for the direction and control of the Company and the Group.

Key matters reserved for the Board’s approval include the annual business plan and budget, capital management and investment policies, authority limits / levels, risk management policies, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

In discharging its stewardship, the Board is constantly mindful of safeguarding the interests of the Group’s stakeholders and is ultimately responsible for the performance of the Group. The Board assumes the following core responsibilities:

- Reviewing and adopting strategic plans for the Group;
- Overseeing the conduct of the Group’s business;
- Identifying principal risks and ensuring the implementation of appropriate internal control and mitigation measures;
- Succession planning;
- Overseeing development and implementation of shareholder communication policy; and
- Reviewing the adequacy and the integrity of the Group’s internal control systems and management information systems of the Group.

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

Corporate Governance Overview Statement (Cont'd)

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

I BOARD RESPONSIBILITIES (cont'd)

1.1 Strategic Aims, Values and Standards (cont'd)

During the financial year, the Board met four (4) times, where it deliberated upon and considered a variety of matters including the Group's financial results and risk management. The attendance of the Directors who held office during the financial year ended 31 December 2023 is set out below:

Name of Director	No. of meetings held and attended by Directors
Chuah Chong Ewe (Managing Director)	4/4
Liang Wooi Gee (Executive Director)	4/4
Phuah Cheng Peng (Executive Director)	4/4
Wee Song He, Wilson (Executive Director)	4/4
Chuah Chong San (Executive Director)	4/4
Ahmad Kamal Bin S. Awab (Independent Non-Executive Director)	4/4
Lee Lean Suan (Independent Non-Executive Director)	3/3
Nah Ren Ren (Independent Non-Executive Director) (Appointed on 28 Aug 2023)	1/1
Dato' Mohamed Shukri Bin Mohamed Zain (Independent Non-Executive Director) (Resigned on 29 May 2023)	1/1

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 2023.

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

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

Date	Name of Director	Seminar / Training
11 & 12 May 2023	Lee Lean Suan	Mandatory Accreditation Programme (MAP)
9 & 10 October 2023	Nah Ren Ren	Mandatory Accreditation Programme (MAP)
14 September 2023	Lee Lean Suan	Audit Committee Conference 2023
13 & 14 December 2023	Ahmad Kamal Bin S.Awab, Chuah Chong San, Lee Lean Suan, Liang Wooi Gee, Nah Ren Ren, Phuah Cheng Peng, Wee Song He, Wilson	Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
14 December 2023	Chuah Chong Ewe	ChatGPT for Finance

Corporate Governance Overview Statement (Cont'd)

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

I BOARD RESPONSIBILITIES (cont'd)

1.1 Strategic Aims, Values and Standards (cont'd)

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

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

1.2 Chairman of the Board

The Company has yet to identify a new Chairman to be appointed as at the date of this Statement.

The Nominating Committee is in the process of identifying a suitable candidate to fill the vacancy.

The Board had appointed one amongst the Independent Non-Executive Directors to chair the meetings. The Chairman will provide leadership and governance to the Board in their responsibilities for the business and affairs of the Company.

1.3 Separation of the position of Chairman and the Managing Director

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority, as stated in the Company's Board Charter.

1.4 The Chairman of the Board should not be a member of Audit Committee, Nominating Committee and/or Remuneration Committee

The Company has yet identified the candidate to fill the vacancy of Chairman.

1.5 Qualified and competent Company Secretary

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries support the Board by ensuring that all Board meetings are properly conducted and deliberations at the Board and Board Committee meetings are well captured and recorded. The Company Secretaries also keep the Board updated on changes in the Bursa Malaysia Securities Berhad ("Bursa Securities") LR and directives issued by the regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities.

The Directors have individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board.

1.6 Access to information and advice

The Board recognises that the decision-making process is highly dependent on the quality of information available. All the Directors have access to all information within the Group and may seek the advice of Management on matters under discussion or request further information on the Group's business activities.

The Chairman, with the assistance of the Company Secretaries, ensures that all Directors have full and timely access to information with Board papers distributed in advance for Board meetings. The Board, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties and to enable them to discharge their duties, at the Group's expense.

All Board and Board Committees are provided with an agenda and relevant board papers, reports including matters arising, financial, operational and regulatory compliance matter, at least 7 days prior to meetings to ensure that they have sufficient time to review and evaluate the matters to be deliberated and obtain further information, if needed, prior to meeting to expedite decision-making during meetings. However, ad-hoc meetings are called with less than 7 days notice with the consent of all Board and Board Committee members. Actions on all matters arising from any previous meeting are reported at the following meeting.

Corporate Governance Overview Statement (Cont'd)

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

1 BOARD RESPONSIBILITIES (cont'd)

2. Demarcation of Responsibilities

2.1 Board Charter

The Board has adopted a Board Charter which sets out the duties, responsibilities and function of the Board in accordance with the principles of good corporate governance. The Board Charter will be reviewed periodically in order to ensure consistency with the Board's strategic intent and relevant standards of corporate governance.

The Board reviewed its Charter on 18 August 2023 and the revised Board charter is available at its corporate website.

3. Good Business Conduct and Corporate Culture

3.1 Code of Conduct and Ethics

The Board has formalised a Code of Conduct and Ethics which 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 and 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 times acts with utmost good faith for the best interest of the shareholders and the Company.

3.2 Whistleblowing Policy

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 Whistleblowing 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. Multiple channels of reporting are set up to encourage stakeholders to report directly to the Head of Department or directly to the Chairman of Audit Committee.

3.3 Anti-Bribery & Corruption Policy

The Anti-Bribery & Corruption Policy had been established to prevent bribery and matters of corruption for. It is our policy to conduct all of our business in an honest and ethical manner, as well as complying with all applicable laws, which include compliance with the Malaysian Anti-Corruption Commission Act 2009 and the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and any of its amendments or re-enactments that may be made by the relevant authority from time to time. We take a zero-tolerance approach to Bribery and Corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.

4. Governing Sustainability

4.1 Setting the Company's sustainability strategies, priorities and targets

The Board is responsible for the setting up of the Group's sustainability strategies. The Group is aware of the importance of business sustainability and has consistently reviewing its operational practices that affect sustainability of environment, governance and social aspects.

4.2 Communicating the Company's sustainability strategies, priorities and targets to its internal and external stakeholders

The Company's sustainability strategies, priorities and targets are set out in the Company's Sustainability Report in this Annual Report.

4.3 Understand the sustainability issues relevant to the Company and its business

The Board encourage the directors and senior managers to keep abreast with sustainability issues that relevant to the Company's business and operations

Corporate Governance Overview Statement (Cont'd)

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

I BOARD RESPONSIBILITIES (cont'd)

4. Governing Sustainability (cont'd)

4.4 Board and Senior Management performance to link with capability to address the Company's material sustainability risks and opportunities

Evaluation was conducted on the Board and Senior Management's performance in addressing the Company's material sustainability risks and opportunities.

II BOARD COMPOSITION

5. Board Objectivity

5.1 Board Composition

The Board currently consists of eight (8) members, comprising five (5) Executive Directors and three (3) Independent Non-Executive Directors.

For Board meetings held during the financial year ended 31 December 2023, the Board had appointed one amongst the Independent Non-Executive Directors to chair the meetings.

The Board has yet to formally appoint a Chairman of the Company. The number of Independent Non-Executive Directors is in compliance with the Main Market Listing Requirements of Bursa Securities, which requires the Board to have at least two (2) or one third (1/3) of the Board of Directors, whichever is higher, to be Independent Directors.

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

Brief profile of each Director is detailed under Profile of Directors and Key Senior Management in this Annual Report.

5.2 Half of the Board are independent directors

The Board is in the midst of identifying a suitable candidate as an additional independent director of the Company.

5.3 Policy on the tenure of an independent director

The Board is mindful of the recommendation of the Code for the tenure of an Independent Director not exceed a cumulative or consecutive term of nine (9) years. However, an Independent Director who has exceeded the prescribed nine (9) years may continue to serve the Board subject to re-designation as Non-Independent Non-Executive Director. As at to-date, none of the Independent Directors have served on the Board for a cumulative or consecutive term of nine (9) years.

5.4 Limit of tenure of independent director to 9 years

The Group has yet to adopt the policy to limit the tenure of independent directors to 9 years without further extension.

5.5 Diverse Board and Senior Management Team

The Board is supportive of diversity on the Board and in Senior Management team. Appointment of members of the Board and Senior Management team are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

Corporate Governance Overview Statement (Cont'd)

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

II BOARD COMPOSITION (cont'd)

5. Board Objectivity (cont'd)

5.6 Diverse sources for new candidate(s) for Board appointment

The Company has in place, its procedures and criteria for identifying candidates for appointment of directors.

All candidates for appointment are first considered by the NC, taking into account the mix of skills, competencies, experience, professionalism and other relevant qualities to manage the Company.

5.7 Information of independent directors who stand for appointment or re-appointment

The information of the independent director who stand for re-appointment as independent director is as stated in the notice of general meeting.

5.8 Nominating Committee

The NC comprises of three (3) Independent Directors and their attendance of meetings during the financial year 2023 is as follows:

Nominating Committee	Position in Nominating Committee	Directorate	Attendance
Nah Ren Ren (Appointed as Chairman on 1 September 2023)	Chairman	Independent Non-Executive Director	0/0
Ahmad Kamal Bin S. Awab (Redesignated as Member on 1 September 2023)	Member	Independent Non-Executive Director	3/3
Lee Lean Suan (Appointed as Member on 28 February 2023)	Member	Independent Non-Executive Director	2/2
Dato' Mohamed Shukri Bin Mohamed Zain (Resigned as Member on 29 May 2023)	Member	Independent Non-Executive Director	1/1

The NC would meet at least once annually with additional meetings convened on as and when needed basis.

The objectives of the NC are:

- To recommend candidates to the Board of Directors. The NC shall be responsible in ensuring the appropriate Board balance and size, and that the Board has a required mix of skills, experience and other core competencies. Based on the process and procedures laid out and ensure proper documentation of all assessment and evaluation on the effectiveness of the Board, the Board Committees and the contribution of each individual Director.
- To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election.
- To evaluate training needs for Directors annually.
- To arrange induction programmes for newly appointed Directors to familiarize themselves with the operations of the Group through briefings by the Managing Director.

Corporate Governance Overview Statement (Cont'd)

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

II BOARD COMPOSITION (cont'd)

5. Board Objectivity (cont'd)

5.8 Nominating Committee (cont'd)

The NC had met 3 times during the financial year and its activities are summarised as follows:

- Reviewed the current composition of the Board Committee;
- Reviewed the current board structure, size and composition;
- Reviewed and assessed the Board of Directors mix of skills, experience and other qualities, including core competencies which directors should bring to the board;
- Assessed the effectiveness of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual director;
- Assessed the performance of Independent Directors;
- Discussed the character, experience, integrity and competence of the Directors, Chief Executive or Chief Financial Officer and to ensure they have the time to discharge their respective roles;
- Reviewed the term of office and performance of Audit Committee and each of its members;
- Reviewed and recommended the re-election or re-appointment of Directors who were retiring and seeking for re-election or re-appointment at the 37th AGM; and

The TOR of the NC is published on the Company's corporate website.

5.9 Gender diversity

At present, the Company maintains a gender diversity policy which encapsulates the objectives, principles and measures of the Group's diversity culture. The Board is supportive in upholding gender diversity within the boardroom and the Management with due consideration on merited factors, such as, skills, experience, attitude and suitability of any potential candidates.

Hence, as part of the Company's succession planning, gender diversity objectives will constantly be observed as a key consideration by the Company even without any specific targets determined. Additionally, the Board will look into the scope and measures of the policy on a regular basis, in ensuring its on-going effectiveness and applicability.

The Board had on 28 February 2023 appointed a female director, the Group's female staff made up 39% of the total staff.

5.10 Women participation in senior management

The Group's female senior management staff made up 24.6% of the total senior management staff.

6. Board Assessment

6.1 Overall Effectiveness of the Board and Individual Director

It is the responsibility of the NC for the overall board effectiveness evaluation process, which includes an assessment of the Board, Board Committees and individual Directors. The appraisal which was carried out through documented questionnaires that comprises quantitative and qualitative performance criteria to evaluate the performance of each member of the Board as well as each Board Committee was being circulated at the Meeting for assessment.

The NC, upon conclusion of the exercise carried out on 28 February 2024, was satisfied that the Board and Board Committee composition had fulfilled the criteria required, possess a right blend of knowledge, experience and the appropriate mix of skills. Additionally, independent Directors were assessed to be objective in exercising their judgement.

Corporate Governance Overview Statement (Cont'd)

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

III REMUNERATION

7. Level and composition of Remuneration

7.1 Remuneration Policy

It is vital for the Group to attract and retain Directors of the necessary calibre to run the Group successfully. The Group has established RC to develop remuneration strategies that drive performance and provide levels of reward which reflect the performance of the Executive Directors and key management personnel.

A remuneration policy in stipulating guidance over the administration of matters related to remuneration within the Company is in place.

The current remuneration policy of the Group is summarised as follows:

- a) The Directors' salary for Executive Directors are set at a competitive level for similar roles within comparable markets, reflects the performance of the director, skills and experience as well as responsibility undertaken.
- b) Fees and benefits payable to Non-Executive Directors are subject to approval by its shareholders at the AGM.
- c) Meeting allowance – All the Non-Executive Directors are entitled to a fixed amount of allowance paid in accordance with the number of meeting attended during the year.
- d) The RC may obtain independent professional advice in formulating the remuneration package of its Directors.

7.2 Remuneration Committee

The RC comprises of majority of independent directors and their attendance of meeting during the financial year 2023 is as follows:

Remuneration Committee	Position in Remuneration Committee	Directorate	Attendance
Lee Lean Suan (Appointed as Chairman on 28 February 2023)	Chairman	Independent Non-Executive Director	0/0
Ahmad Kamal Bin S. Awab	Member	Independent Non-Executive Director	1/1
Nah Ren Ren (Appointed as Member on 1 September 2023)	Member	Independent Non-Executive Director	0/0
Liang Wooi Gee (Resigned as Member on 1 September 2023)	Member	Executive Director	1/1

The RC is governed by its TOR 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.

Corporate Governance Overview Statement (Cont'd)

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

III REMUNERATION (cont'd)

7. Level and composition of Remuneration (cont'd)

7.2 Remuneration Committee (cont'd)

The Committee held one meeting during the financial year 2023 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.

8. Remuneration of Directors and Senior Management

8.1 Details of Directors' remuneration

The details of the remuneration of Directors for the financial year ended 31 December 2023 are as follows:

	Fees RM'000		Salaries RM'000		Other emoluments RM'000		Total RM'000	
	Group	Company	Group	Company	Group	Company	Group	Company
<u>Executive Directors</u>								
Chuah Chong Ewe	34	34	398	168	47	20	479	222
Liang Wooi Gee	26	26	278	158	33	18	337	202
Phuah Cheng Peng	24	24	198	148	24	17	246	189
Wee Song Hee, Wilson	24	24	261	-	32	-	317	24
Chuah Chong San	20	20	296	36	36	4	352	60
<u>Non-Executive Directors</u>								
Ahmad Kamal Bin S. Awab	36	36	2	2	-	-	38	38
Dato' Yew Tian Tek @	6	6	-	-	-	-	6	6
Dato' Mohamed Shukri Bin Mohamed Zain ^	15	15	1	1	-	-	16	16
Lee Lean Suan #	30	30	2	2	-	-	32	32
Nah Ren Ren *	12	12	1	1	-	-	13	13
Total	227	227	1,437	516	172	59	1,836	802

@ Resigned on 28 February 2023

^ Resigned on 29 May 2023

Appointed on 28 February 2023

* Appointed on 28 August 2023

The TOR of RC is published on the Company's corporate website.

Corporate Governance Overview Statement (Cont'd)

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

III REMUNERATION (cont'd)

8. Remuneration of Directors and Senior Management (cont'd)

8.2 Details of top 5 Senior Management's remuneration

Range of Remuneration (RM)	Number of Senior Management
200,000 - 250,000	2
150,000 - 200,000	1
100,000 - 150,000	2
Total	5

8.3 Details of top five senior management's remuneration on named basis

Given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment and the importance of ensuring stability and continuity of business operations with a competent and experienced Management team in place, the Board takes the view that there is no necessity for the Group to disclose the detailed remuneration of the top five Senior Management on a named basis.

Principle B: Effective Audit and Risk Management

I. AUDIT COMMITTEE

9. Effective and independent Audit Committee

9.1 The Chairman of the AC is not the Chairman of the Board

The Chairman of the AC is Ms. Lee Lean Suan appointed on 28 February 2023 who is an Independent Director and currently the Company has yet appointed a Chairman of the Board.

Presently, the AC is comprised solely of Independent Directors.

When considering the candidate to fill the vacancy of the Chairman of the Board, the NC will be mindful of this recommendation.

9.2 Policy requiring former key audit partner to observe 3-year cooling off period

As at to-date, the Company has not appointed any former audit partner as a member of the AC. Nevertheless, the Board has updated within its External Auditor Assessment Policy to stipulate that no former key audit partner shall be appointed as a member of the AC unless he/she has observed a cooling-off period of at least three (3) years before the appointment.

9.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor

The AC has formalised a policy which stipulates the procedures to assess the suitability, objectivity, and independence of external auditors which encompasses consideration of the nature and extent of non-audit services provided external auditors alongside the appropriateness of the level of fees.

During the year, the AC conducted an annual assessment of the external auditors based on the following conditions:-

- the quality of audit procedures and work provided;
- the adequacy of experience, technical support and resources;
- the independence and objectivity of external auditors;
- the internal communication quality of external auditors with the Board and/or AC; and
- any other criteria deemed fit by the AC and/or the Board.

Corporate Governance Overview Statement (Cont'd)

Principle B: Effective Audit and Risk Management (cont'd)

I. AUDIT COMMITTEE (cont'd)

9. Effective and independent Audit Committee (cont'd)

9.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor (cont'd)

Additionally, the said policy stipulated circumstances under which contracts for the provision of non-audit services could be entered into and procedures that must be followed by the external auditors. During the year, the external auditors reported the details of the non-audit services rendered which includes tax compliance and the review of the Statement on Risk Management and Internal Control.

Furthermore, the external auditors provided a confirmation to the AC that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

On 28 February 2024, an annual assessment on the suitability and independence of external auditors was conducted by the AC. The AC, having assessed the independence of external auditors as well as reviewed the level of non-audit services rendered by them for financial year 2023, was satisfied with their competency, suitability and independence. The AC has recommended their re-appointment to the Board, upon which shareholders' approval will be sought at the forthcoming AGM.

In addition to the above, the AC meets with external auditors at least twice a year to discuss their audit plans, audit findings and the Company's financial statements. At least one of these meetings is held without the presence of the Executive Directors and the Management. Also, the AC meets with the external auditors additionally whenever the need arises. Two discussion sessions between the AC and the external auditors were held on 28 February 2024 and 28 November 2023 respectively. Furthermore, the external auditor attends every annual general meeting whereby the financial statements of the company for a financial year are to be laid to respond according to his knowledge and ability to any question raised in regards to the financial statements' audit.

9.4 Composition of the Audit Committee

Although not required to observe this Step-Up, the AC comprised solely of Independent Directors as the Board observes and values the independence of the AC.

9.5 Diversity in skills of the AC

The members of the AC presently fulfil the requirement set out within the LR – Chapter 15 (Sub-Point 15.09), which stipulates the necessary skills and experiences required to be a member of the AC.

Within the current composition of the AC, majority of the AC members have the necessary financial, commercial expertise and capital markets skills, experience required to meet their responsibilities and provide an effective level of challenge to the Management. On an ongoing basis, the AC members will participate in training and development sessions in order to ensure that the members are educated with the latest developments in accounting and auditing standards, guidelines and practices.

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

10. Effective risk management and internal control framework

10.1 The board should establish an effective risk management and internal control framework.

In order to be effective in discharging these responsibilities, the Board is assisted by the AC which functions as an oversight body to review controls and systems in general and to carry out on-going assessment over the adequacy and effectiveness of the risk management and internal control practices within the organisation.

In addition to the abovementioned, the Board is supported by the Management in developing, implementing and monitoring practices for identifying and managing risks. This is added with the role of the Management to provide assurance that the necessary control practices are adhered and carried out accordingly based on stipulated policies and framework.

Corporate Governance Overview Statement (Cont'd)

Principle B: Effective Audit and Risk Management (cont'd)

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (cont'd)

10. Effective risk management and internal control framework (cont'd)

10.2 Disclosure on the features of its risk management and internal control 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 42 and 43 in this Annual Report under the Statement on Risk Management and Internal Control.

The key elements and overall state of the internal control and risk management framework of the Group have been disclosed accordingly within the Annual Report.

10.3 Establishment of a Risk Management Committee

The RMC comprises the following members:

Risk Management Committee	Position in Risk Management Committee	Directorate
Ahmad Kamal Bin S. Awab (Redesignated as Chairman on 28 February 2023)	Chairman	Independent Non-Executive Director
Chuah Chong Ewe	Member	Managing Director
Lee Lean Suan	Member	Independent Non-Executive Director
Nah Ren Ren (Appointed as Member on 1 September 2023)	Member	Independent Non-Executive Director
Dato' Mohamed Shukri Bin Mohamed Zain (Resigned as Member on 29 May 2023)	Member	Independent Non-Executive Director
Wee Song He, Wilson (Resigned as Member on 1 September 2023)	Member	Executive Director

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

Corporate Governance Overview Statement (Cont'd)

Principle B: Effective Audit and Risk Management (cont'd)

II RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (cont'd)

10. Effective risk management and internal control framework (cont'd)

10.3 Establishment of a 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.

The TOR of RMC is published on the Company's corporate website.

11. Effective governance, risk management and internal control

11.1 Effective of internal audit function

As disclosed within the Terms of Reference of the AC, one of the primary responsibilities of the AC is to administer the review and assessment of the Company's internal audit function.

The internal audit function is currently outsourced to an external professional firm/service provider who reports directly to the AC by providing independent and objective reports on the state of internal control of the various operations within the Group and the extent of compliance on established policies and procedures.

On an annual basis, the AC carries out an assessment on the performance of the outsourced internal audit function and reports such assessment to the Board.

Details of the internal audit function and activities relevant to the discharge of the AC's responsibilities are set out in the Statement on Risk Management and Internal Control and the Audit Committee Report of the Company's Annual Report 2023.

11.2 Disclosure on the internal audit function

The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm which is sufficiently resourced to provide the services that meet with the Group's required service level. The service provider has been able to provide reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively.

The internal auditors adopt a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control system. The activities of the internal auditors during the financial year are set out in the AC Report in this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

12. Continuous Communication between the Company

12.1 Effective, transparent and regular communication with its stakeholders.

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

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

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

I. COMMUNICATION WITH STAKEHOLDERS (cont'd)

12. Continuous Communication between the Company (cont'd)

12.2 Integrated Reporting

Integrated Reporting is not applicable to the Group presently as the Company does not fall within the definition of "Large Company".

II. CONDUCT OF GENERAL MEETINGS

13. Encourage Shareholder Participation at General Meetings

13.1 Notice for an Annual General Meeting

The notice to the upcoming AGM in 2024 will be provided with twenty-eight (28) days in advance to enable shareholders to make adequate preparation.

13.2 All directors to attend General Meetings

All the Directors of the Company attend General Meetings in order to engage directly with shareholders and to take up any relevant questions which are related to matters that fall under the purview of the Board Committees or Board, unless unforeseen circumstances preclude them from attending General Meetings.

All Directors had attended the Thirty-Sixth AGM of the Company held on 29 May 2023 ("2023 AGM").

The shareholders present at the 2023 AGM were invited to ask questions about the resolutions being proposed at the 2023 AGM before putting them to vote by poll.

13.3 Leveraging on technology for voting in absentia and remote shareholders' participation

The general meetings of the Company have always been held at a hotel, which is accessible to all shareholders. Shareholders are entitled to appoint proxy to vote on their behalf in their absence.

The Company will try to continue to hold AGM on a virtual basis in the future and allow shareholders to actively participate and vote in absentia in the future AGMs.

Announcement of the detailed results of the poll voting had been made to the public via Bursa LINK on the same day for the benefit of all shareholders.

13.4 Engagement between Board, Senior Management and Shareholders

Questions for the 2023 AGM was submitted through the online portal at <http://www.agriteum.com.my/> before commencement of that AGM. A question and answer session was also held during that AGM. Shareholders used the query box to submit their questions during that meeting in real time.

13.5 Real-time interaction with Shareholders

The Management had tried to respond to all questions posed before and during 2023 AGM. For questions not answered during that meeting due to time constraint, the Management responded to the respective shareholder via email.

13.6 Circulation of minutes of AGM

The minutes of 2023 AGM (including the questions raised at the meeting and the answers thereto) were also made available on the Company's website.

Corporate Governance Overview Statement (Cont'd)

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

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

COMPLIANCE WITH THE CODE

The Board is satisfied that, save as disclosed earlier, the Company has in all material aspects, complied with the principles and recommendation set out in The Code that were in place during the financial year ended 31 December 2023.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 26 April 2024.

Other Information

1) Audit and Non-Audit Fees

During the financial year, the audit fees payable to the external auditors by Luster Industries Bhd (“LIB”) and its subsidiaries (“the Group”) and LIB were RM208,000 and RM42,000 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 RM64,700 and RM8,000 respectively.

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

2) Recurrent Related Party Transactions of a Revenue or Trading Nature for the financial year ended 31 December 2023

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 27 to the financial statements.

3) Utilisation of Proceeds

LIB had issued 50,000 new ordinary shares during the financial year ended 31 December 2023 through exercise of warrants. The abovementioned ordinary shares were issued at an issue price of RM0.10 per ordinary share. The total proceeds of RM5,000 was received from the said placement. The proceeds raised from the said issuance have been fully utilized during the financial year to fund the working capital.

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

There were no material contracts entered into by the Group and LIB, which involving Directors and Chief Executive who is not a director or major shareholders’ interests, either still subsisting at the end of the financial year or extend into since the end of the previous financial year.

Statement on Risk Management and Internal Control

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

Responsibility

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

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

Risk Management

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

A Risk Management Committee (“RMC”) was formed to assist the Board of Directors to manage the principal areas of risks. RMC is assisted by Risk Management Team (“RMT”) in identifying, evaluating and managing the significant risks faced. The RMT comprises of various Heads of Divisions and Departments and Managing Director of the respective subsidiaries. RMT will report to the RMC for significant risks identified. The RMC meets from time to time to identify and manage risks to a manageable level. Both the Audit Committee and Board of Directors review the effectiveness of the risk management function and deliberate on the risk management and internal control framework, functions, processes and reports on a regular basis. The risks are being continually monitored and appropriate actions taken to address any change in existing risks or new risks identified as part of an on-going proactive control measure.

The Group has an established internal control structure to ensure effective control over the Group’s business operations and to safeguard the value and security of the Group’s assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority in place to assist the Board to maintain a proper control environment. The internal control structure is supported by the following activities:

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

Internal Audit Function

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

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 establishment of Board Charter, Code of Conduct and Code of Ethics including a Whistleblowing Policy and Anti-Bribery & Corruption policy will assist the Directors and employees of the Group in defining the minimal ethical standards and conducts in discharging their responsibilities. The Board Charter, Code of Conduct, Code of Ethics and Anti-Bribery & Corruption policy of the Group is available for reference on the Company's website at www.lustergroup.com.

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

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

Review of this Statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the 2023 Annual Report. This Statement is reviewed in accordance with Audit and Assurance Practice Guide (AAPG 3) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

Conclusion

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

This statement on internal control is made in accordance with a resolution of the Board of Directors dated 26 April 2024.

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 areas of corporate governance and internal audit with particular reference to the public accountability of the Company and its subsidiaries.

Membership

The present members of the Audit Committee who are all independent and non-executive are:

Chairman	Lee Lean Suan (Appointed as Chairman on 28 February 2023)
Member	Ahmad Kamal Bin S. Awab (Redesignation as Member on 28 February 2023)
	Nah Ren Ren (Appointed as Member on 1 September 2023)
	Dato' Mohamed Shukri bin Mohamed Zain (Resigned as Member on 29 May 2023)

Meetings

During the financial year, four (4) meetings were held and the attendance of the members are as follows:-

Name of Members	Attendance
Lee Lean Suan (Appointed as Chairman on 28 February 2023)	3/3
Ahmad Kamal Bin S. Awab (Redesignation as Member on 28 February 2023)	4/4
Nah Ren Ren (Appointed as Member on 1 September 2023)	1/1
Dato' Mohamed Shukri Bin Mohamed Zain (Resigned as Member on 29 May 2023)	1/1

The meetings were appropriately scheduled with sufficient advanced notice and meeting papers attached thereto. The external auditors, internal auditors and the Group Financial Controller attended the meetings upon invitation.

Summary of Work of the Audit Committee

The Audit Committee carried out its duties in accordance with its terms of reference, with the following summary of work carried out for the financial year:

1. Financial Reporting

- Reviewed the quarterly unaudited financial results and recommended to the Board for approval and for announcement to Bursa Securities.
- Reviewed the annual audited financial statements with external auditors to ensure compliance with the provisions of the Companies Act 2016, Listing Requirements of Bursa Securities, applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and other legal and regulatory requirements prior to the submission to the Board for approval.
- Reviewed Conflict of Interest (COI) disclosures from Directors and key senior management, noting the absence of any COI or potential COI with the Group

2. External Auditors

- Considered and adopted the audit planning report prepared by the external auditors for the financial year.
- Met with the external auditors twice during the financial year in February 2023 and November 2023 without the presence of executive Board members and management.
- Reviewed and discussed with external auditors on their audit findings and the management's response.
- Appraised and evaluated the performance of the external auditors as well as recommendation to the Board for reappointment.
- Reviewed and recommended to the Board the audit fee payable to the external auditors.

Audit Committee Report (Cont'd)

Summary of Work of the Audit Committee (cont'd)

3. Internal Auditors

- Reviewed Internal Audit Plan for the financial year focusing on the areas selected for internal audit.
- Reviewed internal audit reports prepared by the internal auditor, the audit recommendations made and management's response to the recommendations. During the financial year, the areas audited are Inventory Management, Slow Moving and Impairment, Physical Safeguard, Insurance, Vendor Selection, Purchasing Transactions, Payments, Account Payable, Payroll and Human Resource Management.
- Appraised and evaluated the internal audit function.

4. Recurrent Related Party Transaction ("RRPT") and Related Party Transactions ("RPT")

- 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.
- Enquired and reviewed whether there are any RPT entered into with interested party and whether such transaction was made at arm's length basis and not to the disadvantage to the Group.

Internal Audit Function

The internal audit function is outsourced to an external consulting firm which is independent of the Company and Group. 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.

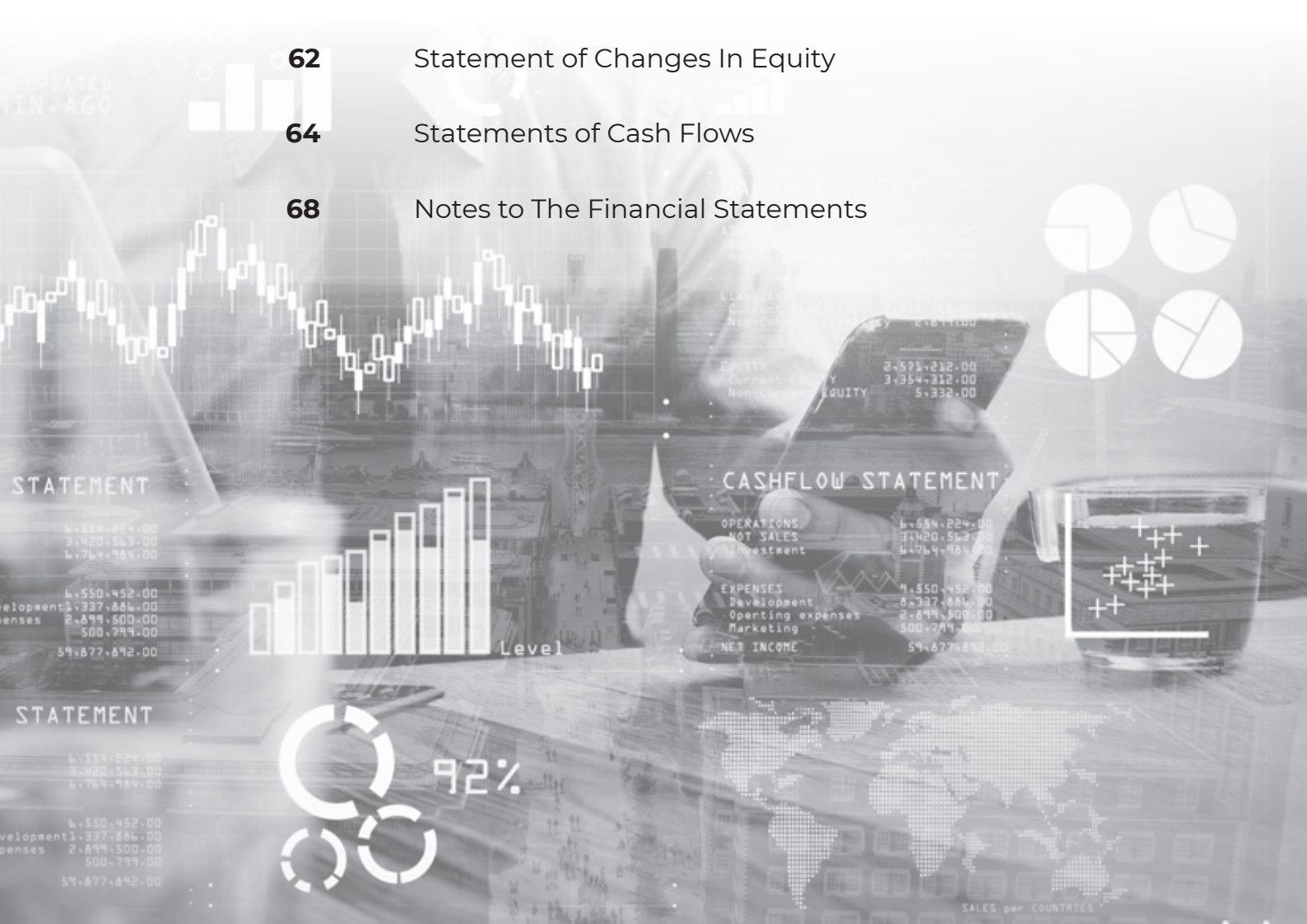
During the financial year, the internal auditors conducted the internal control reviews on the operating functions and procedures and recommended action plans for improvement by management. The final audit reports containing audit findings and recommendations together with management's responses thereto 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 by the Group for the financial year amounted to RM38,000.

This Audit Committee Report is made in accordance with the resolution of your Board of Directors dated 26 April 2024.

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Directors' Report

For The Financial Year Ended 31 December 2023

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2023**.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remain unchanged and consist of investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	<u>1,661,571</u>	<u>5,923,274</u>
Attributable to:		
Owners of the Company	2,106,136	5,923,274
Non-controlling interests	<u>(444,565)</u>	<u>-</u>
	<u>1,661,571</u>	<u>5,923,274</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2023** have not been substantially affected by any item, transaction or event of a material and unusual nature except for the reversal of impairment loss on investment in subsidiaries amounting to RM7,216,522 as disclosed in Note 22 to the financial statements.

DIVIDENDS

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

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURES

During the financial year, the Company has increased its issued and fully paid up ordinary share capital by way of issuance of 50,000 new ordinary shares pursuant to the exercise of warrants at an exercise price of RM0.10 per warrant.

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

Directors' Report (Cont'd)

For The Financial Year Ended 31 December 2023

WARRANTS

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

The movement of the warrants during the financial year is as follows:

	Exercise price (RM)	Number of warrants			Balance at 31.12.2023
		Balance at 1.1.2023	Exercised	Lapsed	
Warrants B expiring 26 May 2023	0.10	216,000,000	(50,000)	(215,950,000)	-

DIRECTORS

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

Directors of the Company:

- * Chuah Chong Ewe
- * Chuah Chong San
- * Liang Wooi Gee
- * Phuah Cheng Peng
- * Wee Song He, Wilson
- Ahmad Kamal Bin S. Awab
- Lee Lean Suan (appointed on 28.2.2023)
- Nah Ren Ren (appointed on 28.8.2023)
- Dato' Yew Tian Tek (resigned on 28.2.2023)
- Dato' Mohamed Shukri Bin Mohamed Zain (retired on 29.5.2023)

Directors of the subsidiaries:

- Ng Sock Ee
- Khor Chong Hai
- Cheung Wah Keung
- Yee Voon Hon
- Chelladhas Stalin
- Lim Thean Ping
- Chiang Chong Kooi
- Tan Peik Koon (appointed on 28.7.2023)
- Zaibidi Bin Mahamod (resigned on 18.1.2024)

* The directors are also directors of the Company's certain subsidiaries.

Directors' Report (Cont'd)

For The Financial Year Ended 31 December 2023

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares			Balance at 31.12.2023
	Balance at 1.1.2023	Bought	Sold	
Direct Interest:				
Chuah Chong Ewe	201,545,000	92,000,000	-	293,545,000
Chuah Chong San	43,200,000	-	-	43,200,000
Liang Wooi Gee	47,272,857	-	(500,000)	46,772,857
Phuah Cheng Peng	245,614,500	-	-	245,614,500
Wee Song He, Wilson	66,636,220	-	-	66,636,220
Deemed Interest:				
¹ Chuah Chong Ewe	97,550,000	65,473,551	-	163,023,551
² Liang Wooi Gee	400	-	-	400
² Phuah Cheng Peng	500,000	-	-	500,000

Note:

- ¹ Deemed interest pursuant to Section 8 of the Companies Act 2016 by virtue of shares held through Triumphant View Sdn. Bhd. and Resolute Accomplishment Sdn. Bhd.
- ² Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his spouse.

Other than the above, none of the other directors holding office at the end of the financial year has any interests in shares in the Company and its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

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

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Fees	227,000	-	227,000
Salaries and allowances	515,770	921,300	1,437,070
EPF	59,556	112,256	171,812
	802,326	1,033,556	1,835,882

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 above) 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.

Directors' Report (Cont'd)

For The Financial Year Ended 31 December 2023

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of insurance premium paid for professional indemnity for the directors and officers of the Company during the financial year is RM7,430.

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 no provision for doubtful debts was required; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- (i) which would render it necessary to make any provision for doubtful debts or the amount written off for bad debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENT

The details of the significant event are disclosed in Note 32 to the financial statements.

Directors' Report (Cont'd)

For The Financial Year Ended 31 December 2023

AUDITORS

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

The total amount of fees paid to or receivable by the auditors and its affiliate as remuneration for their services to the Group and the Company for the financial year ended 31 December 2023 are as follows:

	GROUP	COMPANY
	RM	RM
Statutory audit	208,000	42,000
Assurance related and non-audit services	64,700	8,000
Total	272,700	50,000

The Company has agreed to indemnify the auditors to the extent permissible under the provisions of the Companies Act 2016 in Malaysia. However, no payment has been made under this indemnity for the financial year.

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

.....
Chuah Chong Ewe

Penang,

Date: 26 April 2024

.....
Liang Wooi Gee

Directors' Statement

In the opinion of the directors, the financial statements set out on pages 56 to 124 are properly drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2023** and of their financial performance and cash flows for the financial year then ended.

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

.....
Chuah Chong Ewe

Date: 26 April 2024

.....
Liang Wooi Gee

Statutory Declaration

I, **Liang Wooi Gee**, the director primarily responsible for the financial management of **Luster Industries Bhd.**, do solemnly and sincerely declare that the financial statements set out on pages 56 to 124 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 **26th**)
day of **April 2024**.)

.....
Liang Wooi Gee

Before me,

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

Independent Auditors' Report

To The Members Of Luster Industries Bhd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Luster Industries Bhd.**, which comprise the statements of financial position as at **31 December 2023** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 56 to 124.

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 2023** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

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>Revenue recognition <i>(Note 21 to the financial statements)</i></p> <p>The Group's revenue is mainly derived from the manufacturing of precision plastic parts, sub-assembly, die-casting components and precision engineering works ("Manufacturing") and provision of engineering, procurement, construction and commissioning of glove technology solution consulting ("EPCC Contract") in relation to gloves production lines.</p> <p>Manufacturing - We focus on this area due to the magnitude and voluminous transactions which may give rise to a higher risk of material misstatements in respect of the timing and amount of revenue recognised.</p> <p>EPCC Contract - We focus on this area due to the contract revenue is to be accounted based on the percentage of completion which is measured using cost incurred method. This involves professional judgment and estimates made by the Group to measure the accuracy of revenue recognised over time in accordance with <i>MFRS 15</i>.</p>	<p>Our audit procedures in relation to the Manufacturing revenue recognition included, amongst others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's revenue recognition process and application and thereafter tested controls on the occurrence of revenue; • Performed analytical procedures on the trend of revenue recognised to identify for any abnormalities; • Performed substantive testing on a sampling basis to verify that revenue recognition criteria was properly applied by checking to the documents which evidenced the delivery of goods to the customers; • Assessed whether revenue was recognised in the correct period by testing cut-off through assessing sales transactions taking place at either side of the reporting date as well as reviewing credit notes and sales returns issued after the reporting date; and • Reviewed the sales ledger to identify any sales transactions that were entered using journals or non-sales invoices references and evaluated the nature of the transactions to determine whether they were <i>bona fide</i> transactions.

Independent Auditors' Report (Cont'd)

To The Members Of Luster Industries Bhd.

Key Audit Matters (cont'd)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
	<p>Our audit procedures in relation to the EPCC Contract revenue recognition included, amongst others, the following:</p> <ul style="list-style-type: none">• Reviewed the contract with customer to determine whether, based on the contract terms and billing schedule as well as overall performance of services, the Group has appropriately accounted for the contract in accordance with <i>MFRS 15</i>;• Inspected to the documents which evidenced the cost estimation made;• Reviewed the job progress report prepared by the appointed third party project management team in order to support the calculation of percentage of completion;• Interviewed the appointed third party project management team in order to understand the basis of deriving the calculation of percentage of completion; and• Assessed the adequacy of disclosures as required by <i>MFRS 15</i>.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report (Cont'd)

To The Members Of Luster Industries Bhd.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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, actions taken to eliminate threats or safeguards applied.

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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matter

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

Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494-LCA)
Chartered Accountants

Penang

Date: 26 April 2024

Loo Wei Teng
No. 03487/03/2026 J
Chartered Accountant

Statements of Financial Position

As At 31 December 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	129,644,902	127,178,017	1	1
Investment properties	5	5,430,894	-	-	-
Right-of-use assets	6	511,250	820,134	-	-
Investment in subsidiaries	7	-	-	183,178,225	177,755,186
Other investments	8	29,960,157	27,236,506	29,960,157	27,236,506
Deferred tax assets	9	91,000	27,000	-	-
Trade and other receivables	10	2,499,745	2,853,855	66,067,123	58,548,693
		168,137,948	158,115,512	279,205,506	263,540,386
Current assets					
Inventory properties	11	168,294,079	159,651,505	-	-
Inventories	12	24,625,052	32,176,763	-	-
Trade and other receivables	10	52,280,888	74,092,536	680,484	574,193
Contract assets	13	873,882	-	-	-
Contract costs	14	43,011,873	51,482,519	-	-
Current tax assets		1,177,416	874,537	564,147	288,349
Other investments	8	9,968,474	9,428,749	-	-
Cash and bank balances	15	72,209,764	70,353,265	11,034,794	19,712,632
		372,441,428	398,059,874	12,279,425	20,575,174
TOTAL ASSETS		540,579,376	556,175,386	291,484,931	284,115,560

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

Statements of Financial Position (Cont'd)

As At 31 December 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	312,275,332	312,270,332	312,275,332	312,270,332
Reserves	17	6,732,789	3,726,091	(2,375,612)	(5,099,263)
Accumulated losses		(32,574,105)	(34,680,241)	(25,065,123)	(30,988,397)
		<u>286,434,016</u>	<u>281,316,182</u>	<u>284,834,597</u>	<u>276,182,672</u>
Non-controlling interests		1,888,620	2,655,440	-	-
Total equity		<u>288,322,636</u>	<u>283,971,622</u>	<u>284,834,597</u>	<u>276,182,672</u>
Non-current liabilities					
Borrowings	18	35,001,246	37,669,969	-	-
Lease liabilities	6	313,922	195,063	-	-
Trade and other payables	19	82,535,982	79,995,527	-	-
Deferred tax liabilities	9	1,938,103	824,269	-	-
		<u>119,789,253</u>	<u>118,684,828</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables	19	54,883,681	55,645,054	690,399	2,383,726
Borrowings	18	24,152,713	30,929,232	5,959,935	5,549,162
Lease liabilities	6	218,255	648,477	-	-
Contract liabilities	13	52,179,156	65,658,030	-	-
Refund liabilities	20	471,277	499,329	-	-
Current tax liabilities		562,405	138,814	-	-
		<u>132,467,487</u>	<u>153,518,936</u>	<u>6,650,334</u>	<u>7,932,888</u>
Total liabilities		<u>252,256,740</u>	<u>272,203,764</u>	<u>6,650,334</u>	<u>7,932,888</u>
TOTAL EQUITY AND LIABILITIES		<u>540,579,376</u>	<u>556,175,386</u>	<u>291,484,931</u>	<u>284,115,560</u>

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

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue	21	140,825,099	156,053,664	270,000	47,320,000
Cost of sales		(118,874,479)	(137,519,748)	-	-
Gross profit		21,950,620	18,533,916	270,000	47,320,000
Other income		1,417,213	5,000,111	7,216,522	8,761,519
Administrative expenses		(17,396,952)	(18,230,372)	(1,811,266)	(2,076,983)
Selling and distribution expenses		(1,064,626)	(1,366,813)	-	-
Other operating expenses		(485,176)	(12,266,338)	(512,505)	(32,145,804)
Allowance for expected credit losses on other receivables		-	(5,745,578)	-	(5,745,578)
Operating profit/(loss)		4,421,079	(14,075,074)	5,162,751	16,113,154
Finance costs		(2,141,128)	(1,630,347)	(474,158)	(788,059)
Finance income		2,258,174	613,371	1,235,215	456,598
Profit/(Loss) before tax	22	4,538,125	(15,092,050)	5,923,808	15,781,693
Taxation	23	(2,876,554)	(3,514,630)	(534)	(170,045)
Profit/(Loss) for the financial year		1,661,571	(18,606,680)	5,923,274	15,611,648

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

Statements of Comprehensive Income (Cont'd)

For The Financial Year Ended 31 December 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Other comprehensive income/(loss), net of tax:					
Item that will not be reclassified subsequently to profit or loss:					
Net change in fair value of equity investments designated at fair value through other comprehensive income ("FVOCI")		2,723,651	(5,099,263)	2,723,651	(5,099,263)
Item that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operation		297,944	335,661	-	-
Total other comprehensive income/(loss) for the financial year		3,021,595	(4,763,602)	2,723,651	(5,099,263)
Total comprehensive income/(loss) for the financial year		4,683,166	(23,370,282)	8,646,925	10,512,385
Profit/(Loss) attributable to:					
Owners of the Company		2,106,136	(16,913,710)	5,923,274	15,611,648
Non-controlling interests		(444,565)	(1,692,970)	-	-
		1,661,571	(18,606,680)	5,923,274	15,611,648
Total comprehensive income/(loss) attributable to:					
Owners of the Company		5,112,834	(21,694,096)	8,646,925	10,512,385
Non-controlling interests		(429,668)	(1,676,186)	-	-
		4,683,166	(23,370,282)	8,646,925	10,512,385
Earnings/(Loss) per share attributable to owners of the Company (sen)					
	24				
- Basic		0.07	(0.57)		
- Diluted		0.07	(0.57)		

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

Consolidated Statement of Changes In Equity

For The Financial Year Ended 31 December 2023

NOTE	Attributable to Owners of the Company										Total Equity RM	
	Share Capital RM	Foreign Currency Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	Capital Reserve RM	Fair Value Adjustment Reserve RM	Accumulated Losses RM	Total RM	Non-controlling Interests RM	Total Equity RM		
2023												
	Balance at beginning	312,270,332	405,712	10,125,000	(10,125,000)	8,419,642	(5,099,263)	(34,680,241)	281,316,182	2,655,440	283,971,622	
	Total comprehensive income for the financial year	-	283,047	-	-	-	2,723,651	2,106,136	5,112,834	(429,668)	4,683,166	
	<i>Transactions with owners of the Company:</i>											
	Issuance of ordinary shares pursuant to exercise of warrants	5,000	-	-	-	-	-	-	5,000	-	5,000	
	Issuance of ordinary shares to non-controlling interests	-	-	-	-	-	-	-	-	4,000	4,000	
	Distribution to a non-controlling interest	-	-	-	-	-	-	-	-	(341,152)	(341,152)	
	Transfer of warrants reserve	-	-	(2,344)	2,344	-	-	-	-	-	-	
	- upon exercised	-	-	(2,344)	2,344	-	-	-	-	-	-	
	- upon lapse of Warrant B	-	-	(10,122,656)	10,122,656	-	-	-	-	-	-	
	Total transactions with owners	5,000	-	(10,125,000)	10,125,000	-	-	-	5,000	(337,152)	(332,152)	
	Balance at end	312,275,332	688,759	-	-	8,419,642	(2,375,612)	(32,574,105)	286,434,016	1,888,620	288,322,636	

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

Consolidated Statement of Changes In Equity (Cont'd)

For The Financial Year Ended 31 December 2023

	Attributable to Owners of the Company										Total Equity RM	
	Share Capital RM	Foreign Currency Translation Reserve RM	Warrants Reserve RM	Discount on Shares RM	Capital Reserve RM	Fair Value Adjustment Reserve RM	Accumulated Losses RM	Total RM	Non-controlling Interests RM	Total Equity RM		
2022												
Balance at beginning	299,304,752	86,835	22,616,494	(22,616,494)	8,419,642	-	(17,766,531)	290,044,698	4,082,625	294,127,323		
Total comprehensive loss for the financial year	-	318,877	-	-	-	(5,099,263)	(16,913,710)	(21,694,096)	(1,676,186)	(23,370,282)		
<i>Transactions with owners of the Company:</i>												
Issuance of ordinary shares pursuant to exercise of warrants	12,965,580	-	-	-	-	-	-	12,965,580	-	12,965,580		
Issuance of ordinary shares to non-controlling interests	-	-	-	-	-	-	-	-	249,001	249,001		
Transfer of warrants reserve	-	-	(3,669,259)	3,669,259	-	-	-	-	-	-		
- upon exercised Warrant A	-	-	(8,822,235)	8,822,235	-	-	-	-	-	-		
Total transactions with owners	12,965,580	-	(12,491,494)	12,491,494	-	-	-	12,965,580	249,001	13,214,581		
Balance at end	312,270,332	405,712	10,125,000	(10,125,000)	8,419,642	(5,099,263)	(34,680,241)	281,316,182	2,655,440	283,971,622		

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

Statement of Changes In Equity

For The Financial Year Ended 31 December 2023

NOTE	Attributable to Owners of the Company						Total Equity RM
	Share Capital RM	Warrants Reserve RM	Discount on Shares RM	Fair Value Adjustment Reserve RM	Accumulated Losses RM		
2023							
	312,270,332	10,125,000	(10,125,000)	(5,099,263)	(30,988,397)		276,182,672
	-	-	-	2,723,651	5,923,274		8,646,925
	5,000	-	-	-	-		5,000
	-	(2,344)	2,344	-	-		-
	-	(10,122,656)	10,122,656	-	-		-
	5,000	(10,125,000)	10,125,000	-	-		5,000
	312,275,332	-	-	(2,375,612)	(25,065,123)		284,834,597

Balance at beginning

Total comprehensive income for the financial year

Transactions with owners of the Company:

Issuance of ordinary shares pursuant to exercise of warrants

Transfer of warrants reserve

- upon exercised

- upon lapse of Warrant B

Total transactions with owners

Balance at end

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

Statement of Changes In Equity (Cont'd)

For The Financial Year Ended 31 December 2023

	Attributable to Owners of the Company						Total Equity RM
	Share Capital RM	Warrants Reserve RM	Discount on Shares RM	Fair Value Adjustment Reserve RM	Accumulated Losses RM		
2022							
Balance at beginning	299,304,752	22,616,494	(22,616,494)	-	(46,600,045)	252,704,707	
Total comprehensive income for the financial year	-	-	-	(5,099,263)	15,611,648	10,512,385	
<i>Transactions with owners of the Company:</i>							
Issuance of ordinary shares pursuant to exercise of warrants	12,965,580	-	-	-	-	12,965,580	
Transfer of warrants reserve	-	(3,669,259)	3,669,259	-	-	-	
- upon exercised	-	(8,822,235)	8,822,235	-	-	-	
- upon lapse of Warrant A	-	(12,491,494)	12,491,494	-	-	-	
Total transactions with owners	12,965,580	(12,491,494)	12,491,494	-	-	12,965,580	
Balance at end	312,270,332	10,125,000	(10,125,000)	(5,099,263)	(30,988,397)	276,182,672	

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

Statements of Cash Flows

For The Financial Year Ended 31 December 2023

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	4,538,125	(15,092,050)	5,923,808	15,781,693
Adjustments for:				
Accretion of interest on lease liabilities	38,513	60,226	-	-
Allowance for expected credit losses on other receivables	-	5,745,578	-	5,745,578
Depreciation of:				
- investment properties	7,938	-	-	-
- property, plant and equipment	3,721,250	4,081,297	-	-
- right-of-use assets	593,416	737,812	-	-
Dividend income	-	-	-	(47,050,000)
Fair value gain on other investments designated at fair value through profit or loss ("FVTPL")	(339,672)	(122,987)	-	-
Gain on derecognition of right-of-use assets and lease liabilities	(10,110)	(3,051)	-	-
Gain on disposal of property, plant and equipment, net	(28,384)	(395,596)	-	-
Impairment losses on:				
- goodwill on consolidation	-	6,445,959	-	-
- investment in subsidiaries	-	-	499,483	32,136,239
- property, plant and equipment	-	314,000	-	-
Interest expenses	2,102,615	1,570,121	474,158	788,059
Interest income	(2,258,174)	(613,371)	(1,235,215)	(456,598)
Reversal of impairment loss on investment in subsidiaries	-	-	(7,216,522)	(8,756,390)
Unrealised (gain)/loss on foreign exchange, net	(534,034)	567,676	-	-
Unwinding discount on other receivables	-	(763,952)	-	-
Written down:				
- inventories				
- addition	-	165,413	-	-
- reversal	(333,779)	-	-	-
- inventory properties	-	187,585	-	-
Written off:				
- bad debts				
- trade receivables	483,656	-	-	-
- other receivables	-	1,041,479	-	-
- amount due from a subsidiary	-	-	13,022	9,565
- deposit	1,520	1,200,000	-	-
- inventory properties	-	3,578,900	-	-
- property, plant and equipment	42,066	59,436	-	-
Operating profit/(loss) before working capital changes carried forward	8,024,946	8,764,475	(1,541,266)	(1,801,854)

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

Statements of Cash Flows (Cont'd)

For The Financial Year Ended 31 December 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Operating profit/(loss) before working capital changes brought forward		8,024,946	8,764,475	(1,541,266)	(1,801,854)
Changes in:					
Inventory properties		(5,655,880)	(34,312,229)	-	-
Inventories		7,885,490	(6,333,966)	-	-
Receivables		16,582,608	61,004,715	(105,408)	(48,502,106)
Contract assets		(873,882)	2,341,738	-	-
Contract costs		8,470,646	(16,898,387)	-	-
Payables		(1,257,566)	(3,151,745)	(153,429)	17,735
Contract liabilities		(13,478,874)	10,528,540	-	-
Refund liabilities		(28,052)	499,329	-	-
Cash generated from/(used in) operations		19,669,436	22,442,470	(1,800,103)	(50,286,225)
Income tax paid		(1,960,502)	(4,058,761)	(355,332)	(698,964)
Income tax refunded		254,494	50,692	79,000	-
Interest paid		(2,102,615)	(1,570,121)	(410,758)	(216,394)
Real property gains tax paid		-	(2,800)	-	-
Net cash from/(used in) operating activities		15,860,813	16,861,480	(2,487,193)	(51,201,583)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		2,258,174	613,371	501,288	70,941
Addition in investment in subsidiaries		-	-	(6,000)	(249,999)
Addition in other investments		(39,474)	(41,641,531)	-	(32,335,769)
Proceeds from disposal of property, plant and equipment		62,116	1,026,277	-	-
Proceeds from issuance of ordinary shares to non-controlling interests		4,000	249,001	-	-
Proceeds from redemption of redeemable preference shares		-	-	1,300,000	-
Acquisition of property, plant and equipment	A	(6,256,178)	(24,962,875)	-	-
Placement of fixed deposits with licensed banks		(12,866,628)	(627,604)	(5,000,000)	-
Net cash used in investing activities		(16,837,990)	(65,343,361)	(3,204,712)	(32,514,827)

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

Statements of Cash Flows (Cont'd)

For The Financial Year Ended 31 December 2023

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Distribution to a non-controlling interest		(341,152)	-	-	-
Net changes in bankers' acceptance	B	(6,990,878)	11,945,562	-	-
Repayment of finance lease liabilities	B	(554,819)	(408,813)	-	-
Drawdown of margin facilities	B	410,773	5,549,162	410,773	5,549,162
(Repayment)/Drawdown of term loans	B	(2,310,318)	28,750,532	-	-
Net changes in subsidiaries' balances		-	-	(8,401,706)	79,580,485
Repayment of lease liabilities	B	(624,298)	(786,082)	-	-
Proceeds from issuance of ordinary shares		5,000	12,965,580	5,000	12,965,580
Net cash (used in)/from financing activities		(10,405,692)	58,015,941	(7,985,933)	98,095,227
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,382,869)	9,534,060	(13,677,838)	14,378,817
Effects of foreign exchange rate changes		372,740	355,118	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING		67,881,211	57,992,033	19,712,632	5,333,815
CASH AND CASH EQUIVALENTS AT END		56,871,082	67,881,211	6,034,794	19,712,632
Represented by:					
Fixed deposits with licensed banks		21,519,822	5,482,993	5,000,000	-
Short term money market deposits		4,086,220	5,077,000	-	-
Cash in hand and at banks		46,603,722	59,793,272	6,034,794	19,712,632
		72,209,764	70,353,265	11,034,794	19,712,632
Less: Fixed deposits pledged to licensed banks		(3,825,446)	(1,099,197)	-	-
Fixed deposits with maturity more than three months		(11,513,236)	(1,372,857)	(5,000,000)	-
Total cash and cash equivalents		56,871,082	67,881,211	6,034,794	19,712,632

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

Statements of Cash Flows (Cont'd)

For The Financial Year Ended 31 December 2023

A. Acquisition of property, plant and equipment

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Total acquisition cost		6,256,178	27,166,707	-	-
Acquired under finance lease liabilities	B	-	(2,203,832)	-	-
Total cash acquisition		6,256,178	24,962,875	-	-

B. Liabilities arising from financing activities

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

	Balance at beginning RM	Cash flows RM	Others RM	Balance at end RM
GROUP				
2023				
Borrowings	68,599,201	(9,445,242)	-	59,153,959
Lease liabilities	843,540	(624,298)	312,935¹	532,177
Total liabilities arising from financing activities	69,442,741	(10,069,540)	312,935	59,686,136
2022				
Borrowings	20,558,926	48,040,275	-	68,599,201
Lease liabilities	1,469,400	(786,082)	160,222 ¹	843,540
Total liabilities arising from financing activities	22,028,326	47,254,193	160,222	69,442,741
COMPANY				
2023				
Borrowings, representing total liabilities arising from financing activities	5,549,162	410,773	-	5,959,935
2022				
Borrowings, representing total liabilities arising from financing activities	-	5,549,162	-	5,549,162

¹ Others consist of non-cash movements as follows:

	GROUP	
	2023 RM	2022 RM
Accretion of interest on lease liabilities	38,513	60,226
Additions of lease liabilities	585,945	219,603
Derecognition of lease liabilities	(311,523)	(124,877)
Foreign currency translation	-	5,270
	312,935	160,222

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

Notes to The Financial Statements

31 December 2023

1. CORPORATE 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 51-8-A, Menara BHL, Jalan Sultan Ahmad Shah, 10050 George Town, 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 26 April 2024.

Principal Activities

The principal activities of the Company in the course of the financial year remain unchanged and consist of investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for other investments that are measured at fair values.

2.3 Functional and Presentation Currency

Ringgit Malaysia ("RM") is the presentation currency of the Group and of the Company.

RM is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates. The Group's foreign operation has different functional currency.

2.4 Adoption of New Standard/Amendments to MFRSs

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 new standard/amendments to MFRSs that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts and Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112 Income Taxes: International Tax Reform - Pillar Two Model Rules

Notes to The Financial Statements (Cont'd)

31 December 2023

2. BASIS OF PREPARATION (cont'd)

2.4 Adoption of New Standard/Amendments to MFRSs (cont'd)

Initial application of the above new standard/amendments to MFRSs did not have material impact to the financial statements upon adoption, except for *Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies*. The amendments change the requirements in *MFRS 101* with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant' with 'material'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in *MFRS 101* are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Malaysian Accounting Standards Board ("MASB") has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in *MFRS Practice Statement 2*.

The amendments have had an impact on the Group's and the Company's disclosures of accounting policies but not on the measurement, recognition or presentation of any items in the Group's financial statements.

2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the MASB but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback

Amendments to MFRS 101 Presentation of Financial Statements: Non-Current Liabilities with Covenants

Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

Effective for annual period beginning on or after 1 January 2025

Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above amendments to MFRSs is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption.

3. 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.

Notes to The Financial Statements (Cont'd)

31 December 2023

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has not included the extension options period as part of the lease term for lease of factory warehouse as it is not reasonably certain that the extension options will be exercised. For the lease of hostels, offices and forklifts, the Group has not included the extension options as part of the lease term as there are no extension options available. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2 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) Inventories

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

The carrying amount of the Group's inventories as at the end of the reporting period is disclosed in Note 12 to the financial statements.

(ii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which those deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

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

The carrying amount of deferred tax assets of the Group as at the end of the reporting period is disclosed in Note 9 to the financial statements.

Notes to The Financial Statements (Cont'd)

31 December 2023

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(iii) Impairment in investment in subsidiaries

Investment in subsidiaries is tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgment is required to determine if any such indication exists, based on the evaluation of both internal and external sources of information. If any such indication exists, management assesses the recoverable amount of the investment in subsidiaries based on the higher of value in use or fair value less cost to sell as at the end of the reporting period. If the recoverable amount of the investment in subsidiaries is less than its carrying amount, an impairment loss is recognised in profit or loss to reduce the carrying amount of the investment in subsidiaries. An impairment loss of **RM499,483** (2022: RM32,136,239) is recognised in profit or loss to write down the subsidiaries to their recoverable amount.

An assessment is also made at each end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A reversal of impairment loss in relation to certain subsidiaries amounted to **RM7,216,522** (2022: RM8,756,390) is recognised in profit or loss.

(iv) Provision for expected credit losses ("ECL") of receivables

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

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

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

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

(v) Leases – Estimating the incremental borrowing rate ("IBR")

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to The Financial Statements (Cont'd)

31 December 2023

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(vi) Inventory properties

Inventory properties are stated at the lower of cost and net realisable value ("NRV").

NRV for completed development units is assessed by reference to market conditions and prices existing as at the end of the reporting period and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment.

NRV in respect of land held for development is assessed with reference to market prices as at the end of the reporting period for similar land, less estimated costs necessary to make the sale or where applicable, engaged independent valuers to estimate the fair value of these land.

NRV in respect of property development costs is assessed with reference to market prices as at the end of the reporting period for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

The carrying amount of the Group's inventory properties as at the end of the reporting period is disclosed in Note 11 to the financial statements.

(vii) Engineering, Procurement, Construction and Commissioning and Glove Technology Solution Consulting ("EPCC Contract")

Revenue from EPCC Contract is recognised over time, the amount of revenue recognised at the reporting date depends on the extent to which the performance obligation has been satisfied. This is done by determining the stage of completion. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total revenue and total contract costs and the recoverability of the EPCC Contract and contract cost. In making these judgements, management relies on past experience and, if necessary, the work of specialists.

Notes to The Financial Statements (Cont'd)

31 December 2023

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	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
2023										
At cost										
Balance at beginning	1,704,146	9,404,162	42,497,626	52,486,780	5,420,672	2,444,094	2,024,572	541,777	75,121,985	191,645,814
Additions	-	785,922	10,851	431,743	158,943	17,570	39,000	-	4,812,149	6,256,178
Disposals	-	-	-	(843,203)	(177,350)	-	-	-	-	(1,020,553)
Written offs	-	-	-	-	(13,495)	-	-	(36,021)	-	(49,516)
Foreign currency translation	-	-	-	-	18,693	-	2,718	12,564	-	33,975
Balance at end	1,704,146	10,190,084	42,508,477	52,075,320	5,407,463	2,461,664	2,066,290	518,320	79,934,134	196,865,898
Accumulated depreciation										
Balance at beginning	-	1,451,128	10,532,483	42,378,269	3,447,739	2,009,250	1,938,058	323,720	-	62,080,647
Current charge	-	172,475	949,699	2,059,404	365,840	81,186	45,404	47,242	-	3,721,250
Disposals	-	-	-	(843,198)	(143,623)	-	-	-	-	(986,821)
Written offs	-	-	-	-	(2,375)	-	-	(5,075)	-	(7,450)
Foreign currency translation	-	-	-	-	16,333	-	1,362	8,525	-	26,220
Balance at end	-	1,623,603	11,482,182	43,594,475	3,683,914	2,090,436	1,984,824	374,412	-	64,833,846
Accumulated impairment losses										
Balance at beginning/end	-	-	-	1,108,684	-	4,910	-	-	1,273,556	2,387,150
Carrying amount	1,704,146	8,566,481	31,026,295	7,372,161	1,723,549	366,318	81,466	143,908	78,660,578	129,644,902

Notes to The Financial Statements (Cont'd)

31 December 2023

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

GROUP	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
2022										
At cost										
Balance at beginning	1,704,146	9,404,162	41,988,626	57,849,993	5,086,345	3,614,111	2,105,964	1,092,278	53,871,330	176,716,955
Additions	-	-	509,000	4,082,405	449,617	275,840	-	162,028	21,687,817	27,166,707
Disposals	-	-	-	(4,909,235)	(32,099)	-	(84,450)	-	(437,162)	(5,462,946)
Written offs	-	-	-	(4,536,383)	(109,530)	(1,445,857)	-	(721,370)	-	(6,813,140)
Foreign currency translation	-	-	-	-	26,339	-	3,058	8,841	-	38,238
Balance at end	1,704,146	9,404,162	42,497,626	52,486,780	5,420,672	2,444,094	2,024,572	541,777	75,121,985	191,645,814
Accumulated depreciation										
Balance at beginning	-	1,279,209	9,419,076	48,833,956	3,146,901	3,087,932	1,935,359	899,924	-	68,602,357
Current charge	-	171,919	1,113,407	2,115,992	396,802	119,941	86,349	76,887	-	4,081,297
Disposals	-	-	-	(4,269,946)	(9,774)	-	(84,450)	-	-	(4,364,170)
Written offs	-	-	-	(4,301,733)	(109,499)	(1,198,623)	-	(662,110)	-	(6,271,965)
Foreign currency translation	-	-	-	-	23,309	-	800	9,019	-	33,128
Balance at end	-	1,451,128	10,532,483	42,378,269	3,447,739	2,009,250	1,938,058	323,720	-	62,080,647
Accumulated impairment losses										
Balance at beginning	-	-	-	1,811,355	-	252,073	-	-	959,556	3,022,984
Current charge	-	-	-	-	-	-	-	-	314,000	314,000
Disposals	-	-	-	(468,095)	-	-	-	-	-	(468,095)
Written offs	-	-	-	(234,576)	-	(247,163)	-	-	-	(481,739)
Balance at end	-	-	-	1,108,684	-	4,910	-	-	1,273,556	2,387,150
Carrying amount	1,704,146	7,953,034	31,965,143	8,999,827	1,972,933	429,934	86,514	218,057	73,848,429	127,178,017

Notes to The Financial Statements (Cont'd)

31 December 2023

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

COMPANY

	Motor Vehicle RM
2023	
At cost	<u>36,993</u>
Accumulated depreciation	<u>36,992</u>
Carrying amount	<u>1</u>
2022	
At cost	<u>36,993</u>
Accumulated depreciation	<u>36,992</u>
Carrying amount	<u>1</u>

- (i) The carrying amount of property, plant and equipment which are pledged to licensed banks as securities for banking facilities granted to certain subsidiaries as disclosed in Note 18 to the financial statements are as follows:

	GROUP	
	2023	2022
	RM	RM
Leasehold land	8,466,291	7,887,478
Buildings	<u>30,715,627</u>	<u>31,647,915</u>
	<u>39,181,918</u>	<u>39,535,393</u>

- (ii) The carrying amount of leased assets which are pledged to licensed banks as securities for finance lease liabilities as disclosed in Note 18 to the financial statements are as follows:

	GROUP	
	2023	2022
	RM	RM
Plant and machinery	2,178,433	2,436,640
Motor vehicles	<u>-</u>	<u>14,159</u>
	<u>2,178,433</u>	<u>2,450,799</u>

- (iii) During the financial year, the subsidiaries of the Company have extended the leasehold period on its leasehold land for a total cash consideration of RM785,922.

Notes to The Financial Statements (Cont'd)

31 December 2023

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

(iv) The information of right-of-use assets which are included in the property, plant and equipment is as follows:

	Carrying amount RM	Additions RM	Current depreciation RM
GROUP			
2023			
Leasehold land	<u>8,566,481</u>	<u>785,922</u>	<u>172,475</u>
2022			
Leasehold land	<u>7,953,034</u>	<u>-</u>	<u>171,919</u>

Material accounting policy information

Property, plant and equipment are stated at cost less accumulated depreciation and any 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	47 - 92 years
Buildings	2%
Plant, machinery and moulds	10% - 50%
Furniture, fittings and office equipment	10% - 33.33%
Electrical installation	10%
Motor vehicles	20%
Renovation	10% - 20%

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

Capital expenditure-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital expenditure-in-progress is stated at cost and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital expenditure-in-progress is not depreciated until the assets are ready for their intended use.

Notes to The Financial Statements (Cont'd)

31 December 2023

5. INVESTMENT PROPERTIES

	Leasehold serviced residences RM	Leasehold shoplot RM	Total RM
GROUP			
2023			
At cost			
Additions/Balance at end	<u>4,323,832</u>	<u>1,115,000</u>	<u>5,438,832</u>
Accumulated depreciation			
Current charge/Balance at end	<u>4,869</u>	<u>3,069</u>	<u>7,938</u>
Carrying amount	<u>4,318,963</u>	<u>1,111,931</u>	<u>5,430,894</u>

- (i) During the financial year, Pembinaan LSP Jaya Sdn. Bhd. ("PLSP"), a wholly-owned subsidiary of the Company, has entered into Sales and Purchases Agreements with a third party, Maarij Development Sdn. Bhd. ("MDSB") to acquire 5 units of leasehold serviced residences and a leasehold shoplot as partial settlement of the debts owed by MDSB to PLSP amounting to RM5,438,832.
- (ii) The investment properties have an open market value of approximately **RM6,120,000** (2022: RM Nil). The valuations are performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e., Level 3).

Material accounting policy information

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold serviced residences and leasehold shoplot are depreciated on a straight-line basis over their estimated useful life of 50 years.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee

The Group has lease contracts for factory warehouse, hostels, offices and forklifts used in its operations that have lease terms between 1 to 3 years. The lease contracts restrict the Group from assigning and subleasing the leased assets.

The Group also has certain leases of hostels and offices with lease terms of 12 months or less and leases of forklifts and equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Notes to The Financial Statements (Cont'd)

31 December 2023

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets and the movements during the financial year:

GROUP

	Factory warehouse RM	Hostels RM	Offices RM	Forklifts RM	Total RM
2023					
Balance at beginning	456,547	118,623	152,074	92,890	820,134
Additions	-	49,344	241,744	294,857	585,945
Depreciation	(228,274)	(117,069)	(157,949)	(90,124)	(593,416)
Derecognition	(228,273)	-	-	(73,140)	(301,413)
Balance at end	<u>-</u>	<u>50,898</u>	<u>235,869</u>	<u>224,483</u>	<u>511,250</u>
2022					
Balance at beginning	798,956	91,568	377,471	175,675	1,443,670
Additions	-	160,490	8,038	51,075	219,603
Depreciation	(342,409)	(74,860)	(185,866)	(134,677)	(737,812)
Derecognition	-	(58,575)	(63,251)	-	(121,826)
Foreign currency translation	-	-	15,682	817	16,499
Balance at end	<u>456,547</u>	<u>118,623</u>	<u>152,074</u>	<u>92,890</u>	<u>820,134</u>

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the financial year:

	GROUP	
	2023 RM	2022 RM
Balance at beginning	843,540	1,469,400
Additions	585,945	219,603
Accretion of interest	38,513	60,226
Derecognition	(311,523)	(124,877)
Payments	(624,298)	(786,082)
Foreign currency translation	-	5,270
Balance at end	<u>532,177</u>	<u>843,540</u>
Analysed as:		
Non-current	313,922	195,063
Current	218,255	648,477
	<u>532,177</u>	<u>843,540</u>

The maturity analysis of lease liabilities is disclosed in Note 28.4 to the financial statements.

Notes to The Financial Statements (Cont'd)

31 December 2023

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

The following are the amounts recognised in profit or loss:

	GROUP	
	2023 RM	2022 RM
Depreciation of right-of-use assets	593,416	737,812
Accretion of interest on lease liabilities	38,513	60,226
Gain on derecognition of right-of-use assets and lease liabilities	(10,110)	(3,051)
Expense relating to leases of low-value assets	92,800	206,301
Expense relating to short-term leases	429,340	445,750
Total amount recognised in profit or loss	1,143,959	1,447,038

The total cash outflows for leases during the financial year are **RM1,146,438** (2022: RM1,438,133).

Material accounting policy information

Right-of-use assets

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Factory warehouse	3 years
Hostels	2 years
Offices	3 years
Forklifts	2 to 3 years

7. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2023 RM	2022 RM
Unquoted shares, at cost	173,084,689	173,078,689
Unquoted redeemable preference shares, at cost	113,420,000	114,720,000
	286,504,689	287,798,689
Less: Allowance for impairment		
Balance at beginning	(110,043,503)	(86,663,654)
Current year	(499,483)	(32,136,239)
Reversal	7,216,522	8,756,390
Balance at end	(103,326,464)	(110,043,503)
	183,178,225	177,755,186

Notes to The Financial Statements (Cont'd)

31 December 2023

7. INVESTMENT IN SUBSIDIARIES (cont'd)

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

Name of entities	Effective equity interest		Principal activities
	2023	2022	
	%	%	
Exzone Precision Engineering Sdn. Bhd. ("EPE")	100	100	Manufacturing of precision plastic parts and components and sub-assembly of plastic parts and products.
Exzone Industries Sdn. Bhd.	100	100	Dormant.
Luster Manufacturing Sdn. Bhd. ("LM")	100	100	Investment holding.
Winco Precision Engineering (Melaka) Sdn. Bhd. ("WPE")	100	100	Precision engineering work and manufacturing of die-casting components.
Winco Precision Technologies Sdn. Bhd. ⁽¹⁾	80	80	Dormant.
Exzone Plastics Manufacturers Sdn. Bhd. ("EPM")	100	100	Dormant.
Luster Construction Sdn. Bhd.	100	100	Construction of properties.
Jade Classic Sdn. Bhd. ("JC")	51	51	Property development.
Pembinaan LSP Jaya Sdn. Bhd. ("PLSP")	100	100	Property construction and development.
Pan Cambodian Lottery Corporation Limited ("PCL") (Incorporated in Cambodia) ⁽²⁾	95	95	Lottery operator in Cambodia.
Glovmaster Sdn. Bhd. ("GM")	56	56	Manufacturing, sales and distribution of latex examination gloves.
Luster Trading Sdn. Bhd. ("LT") ⁽³⁾	-	100	Dormant.
Luster Ara Sdn. Bhd. ("LA")	50.1	50.1	Property development.
Luster Technologies Malaysia Sdn. Bhd. ("LTM")	60	-	Manufacturing of carbon fibre for thermoplastic compounding applications and distribution of aerosol canning and bottle spraying products and chemical products.

Notes to The Financial Statements (Cont'd)

31 December 2023

7. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of entities	Effective equity interest		Principal activities
	2023	2022	
	%	%	
Indirect - held through Glovmaster Sdn. Bhd.			
Linpower Resources Sdn. Bhd. ("LPR")	100	100	Dormant.
Glovconcept Sdn. Bhd. ("GC")	60	60	Provision of engineering, procurement, construction and commissioning of glove related system.
Indirect - held through Exzone Plastics Manufacturers Sdn. Bhd.			
Imetron (M) Sdn. Bhd. ("IM")	100	100	Dormant.
Indirect - held through Winco Precision Engineering (Melaka) Sdn. Bhd.			
Winco Precision Technologies Sdn. Bhd. ⁽¹⁾	20	20	Dormant.
Indirect - held through Luster Manufacturing Sdn. Bhd.			
Luster Venture Sdn. Bhd. ("LV")	100	100	Property construction.
Luster Hijauan Home Sdn. Bhd. ("LHH") ⁽⁴⁾	100	100	Dormant.
Indirect - held through Exzone Precision Engineering Sdn. Bhd.			
TSI Zone (Malaysia) Sdn. Bhd. ("TSI")	60	60	Dormant.

⁽¹⁾ The Company has a direct interest of 80% and an indirect interest of 20% via another subsidiary, WPE.

⁽²⁾ Not audited by Grant Thornton Malaysia PLT.

⁽³⁾ The Company was struck off during the financial year.

⁽⁴⁾ The Company is in the process of striking off.

7.1 Acquisition of subsidiaries and subscriptions of ordinary shares in subsidiaries

2023

On 28 February 2023 and 31 July 2023, the Company has subscribed 1 and 5,999 ordinary shares respectively in LTM representing 60% equity interest in LTM at RM6,000.

2022

- (i) On 31 March 2022 and 14 September 2022, the Company had subscribed additional 49,599 and 200,400 ordinary shares respectively in LA at RM249,999 for cash. No changes in equity interest in LA subsequent to the subscription of ordinary shares.
- (ii) On 21 November 2022, the Company had acquired 10,000,000 ordinary shares in PLSP representing 45.45% equity interest in PLSP from WPE by way of converting amount due from WPE of RM10,000,000. Subsequent to the acquisition, PLSP has become a wholly-owned subsidiary of the Company.
- (iii) On 21 November 2022, the Company had subscribed additional 9,000,000 ordinary shares in WPE by way of converting amount due from WPE of RM9,000,000. No changes in equity interest subsequent to the subscription of ordinary shares.

Notes to The Financial Statements (Cont'd)

31 December 2023

7. INVESTMENT IN SUBSIDIARIES (cont'd)

7.2 Subscription and redemption of redeemable preference shares ("RPS") in subsidiaries

2023

During the financial year, the Company has redeemed 1,300 RPS in EPE by way of offsetting against the amount due to EPE of RM1,300,000.

2022

- (i) In the prior financial year, the Company had redeemed 12,300 and 3,000,000 RPS in EPE and LM respectively by way of offsetting against the amount due to EPE and LM of RM12,300,000 and RM3,000,000 respectively.
- (ii) In the prior financial year, the Company had subscribed for 3,003,000, 12,000,000 and 5,100,000 RPS in LM, JC and LA respectively by way of converting amount due from LM, JC and LA of RM6,000,000, RM12,000,000 and RM5,100,000 respectively.

7.3 Impairment on investment in subsidiaries

The Company reviews the material investment in subsidiaries for impairment when there is an indication of impairment. The recoverable amounts of the investment in subsidiaries are assessed by reference to their fair value less cost to sell, which approximate the adjusted net assets of the subsidiaries at the end of the reporting period. Accordingly, an impairment loss of **RM499,483** (2022: RM32,136,239) is recognised in respect of investment in LM and PLSP during the financial year, while a reversal of impairment loss of **RM7,216,522** (2022: RM8,756,390) is recognised in respect of investment in EPE, EPM and WPE during the financial year.

The fair value measurement of the recoverable amounts of the investment in subsidiaries is categorised as Level 3. The details of the Level 3 fair value measurement used in obtaining the recoverable amounts are as follows:

Valuation method and key inputs	Significant unobservable assets and liabilities	Relationship of unobservable inputs and fair value
Adjusted net asset method which derives the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities	Fair value of individual assets and liabilities	The higher the net assets, the higher the fair value

7.4 Subsidiaries with material non-controlling interests ("NCI")

The details of the material NCI are as follows:

	JC	TSI	GM	GC	Total
2023					
NCI percentage of ownership interest and voting interest	49.00%	40.00%	44.00%	66.40%	
Carrying amount of NCI (RM)	396,239	-	(797,814)	1,965,227	1,563,652
Profit allocated to NCI (RM)	(66,458)	(493,434)	(1,167,368)	1,510,712	(216,548)
2022					
NCI percentage of ownership interest and voting interest	49.00%	40.00%	44.00%	66.40%	
Carrying amount of NCI (RM)	462,698	834,586	369,555	454,515	2,121,354
Profit allocated to NCI (RM)	(9,415)	(167,681)	(1,917,260)	444,263	(1,650,093)

Notes to The Financial Statements (Cont'd)

31 December 2023

7. INVESTMENT IN SUBSIDIARIES (cont'd)

7.4 Subsidiaries with material non-controlling interests ("NCI") (cont'd)

The summarised financial information of material NCI presented below is the amount before inter-company elimination:

	JC RM	TSI RM	GM RM	GC RM
2023				
Assets and liabilities				
Non-current assets	2,075,640	-	80,634,318	-
Current assets	109,899,012	-	4,972,602	63,807,272
Non-current liabilities	(81,989,287)	-	(6,298,402)	(203,834)
Current liabilities	(17,176,713)	-	(32,521,731)	(60,643,759)
Net assets	<u>12,808,652</u>	<u>-</u>	<u>46,786,787</u>	<u>2,959,679</u>
Results				
Revenue	-	157,014	-	13,198,591
Net (loss)/profit, representing total comprehensive (loss)/income for the financial year	<u>(135,629)</u>	<u>(1,233,585)</u>	<u>(2,653,110)</u>	<u>2,275,168</u>
Net cash (used in)/from:				
Operating activities	(7,337,564)	566,917	(1,010,497)	(1,178,314)
Investing activities	(2,057,005)	-	(2,453,333)	261,052
Financing activities	<u>9,678,060</u>	<u>(2,321,596)</u>	<u>3,599,555</u>	<u>(466,572)</u>
Net change in cash and cash equivalents	<u>283,491</u>	<u>(1,754,679)</u>	<u>135,725</u>	<u>(1,383,834)</u>
2022				
Assets and liabilities				
Non-current assets	-	-	78,290,767	460,607
Current assets	100,350,738	2,316,372	8,509,513	72,113,929
Non-current liabilities	(78,972,209)	-	(8,256,208)	(119,145)
Current liabilities	(8,434,248)	(229,907)	(29,104,175)	(71,770,880)
Net assets	<u>12,944,281</u>	<u>2,086,465</u>	<u>49,439,897</u>	<u>684,511</u>
Results				
Revenue	-	-	-	7,144,725
Net (loss)/profit, representing total comprehensive (loss)/income for the financial year	<u>(19,215)</u>	<u>(419,203)</u>	<u>(4,347,853)</u>	<u>669,071</u>
Net cash from/(used in):				
Operating activities	(6,449,371)	(78,237)	7,423,240	(1,264,422)
Investing activities	1,799	4,097	(21,481,315)	(8,971,084)
Financing activities	<u>6,561,286</u>	<u>159,161</u>	<u>12,134,772</u>	<u>(180,482)</u>
Net change in cash and cash equivalents	<u>113,714</u>	<u>85,021</u>	<u>(1,923,303)</u>	<u>(10,415,988)</u>

Material accounting policy information

Investment in subsidiaries are measured at cost less any impairment losses in the Company's separate financial statements.

Notes to The Financial Statements (Cont'd)

31 December 2023

8. OTHER INVESTMENTS

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Non-current				
At FVOCI:				
Quoted equity investments in Malaysia	29,960,157	27,236,506	29,960,157	27,236,506
Current				
At FVTPL:				
Short term funds with licensed financial institutions	9,968,474	9,428,749	-	-
Total other investments	39,928,631	36,665,255	29,960,157	27,236,506

2022

On 11 January 2022, the Company had entered into a Conditional Share Subscription Agreement with Aimflex Berhad ("Aimflex") to subscribe 81,576,707 new ordinary shares in Aimflex, representing approximately 5.55% equity interest in Aimflex at an issue price of RM0.1267 per subscription share for cash. Subsequently on 24 January 2022, the Company had further acquired another 100,000,000 ordinary shares in Aimflex, representing approximately 8.169% equity interest in Aimflex, for a total cash consideration of RM22,000,000.

This quoted equity investments are designated at FVOCI as the Group and the Company consider the investment to be strategic in nature. It is pledged to a licensed bank as securities for banking facilities granted to the Group and the Company as disclosed in Note 18 to the financial statements.

Short term funds with licensed financial institutions are funds that invest in a mixture of money market instruments and fixed deposits with different maturity profile. The funds can be redeemed at any point in time upon request.

The currency profile of other investments is as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Ringgit Malaysia	36,052,731	33,132,430	29,960,157	27,236,506
United States Dollar	3,875,900	3,532,825	-	-
	39,928,631	36,665,255	29,960,157	27,236,506

Material accounting policy information

Upon initial recognition, the Group and the Company irrevocably elect to classify its equity investments as equity instruments designated at FVOCI and subsequent changes in the fair value are recorded in other comprehensive income. This election is made on an investment-by-investment basis.

Notes to The Financial Statements (Cont'd)

31 December 2023

9. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP	
	2023	2022
	RM	RM
Balance at beginning	(797,269)	1,360,618
Recognised in profit or loss	(1,018,013)	(2,337,526)
	(1,815,282)	(976,908)
(Under)/Over provision in prior year	(31,821)	179,639
	(1,847,103)	(797,269)

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

	GROUP	
	2023	2022
	RM	RM
Deferred tax assets	91,000	27,000
Deferred tax liabilities	(1,938,103)	(824,269)
	(1,847,103)	(797,269)

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

	GROUP	
	2023	2022
	RM	RM
Property, plant and equipment	(2,292,269)	(2,321,269)
Right-of-use assets	511,250	820,134
Lease liabilities	(532,177)	(843,540)
Unused tax losses	241,000	980,000
Unabsorbed capital allowances	169,000	12,000
Provisions	38,000	38,000
Other deductible temporary differences	18,093	517,406
	(1,847,103)	(797,269)

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

Notes to The Financial Statements (Cont'd)

31 December 2023

9. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

	GROUP	
	2023	2022
	RM	RM
Deferred tax assets recognised:		
Property, plant and equipment	16,711	-
Unabsorbed capital allowances	(16,711)	-
	-	-
Deferred tax assets not recognised:		
Unused tax losses	16,567,568	15,953,197
Unabsorbed capital allowances	1,524,943	1,507,519
Unabsorbed reinvestment allowance	10,646,228	10,646,228
Unabsorbed prospecting allowance	527,607	527,607
Other deductible temporary differences	8,035	-
	29,274,381	28,634,551

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

	GROUP	
	2023	2022
	RM	RM
Unused tax losses	17,585,761	20,038,343
Unabsorbed capital allowances	2,232,058	1,558,928
Unabsorbed reinvestment allowance	10,646,228	10,646,228
Unabsorbed prospecting allowance	527,607	527,607

The unused tax losses can be carried forward for ten consecutive years of assessment ("YAs") immediately following that year of assessment ("YA") of which tax losses was incurred and this is effective from YA 2019. Unabsorbed reinvestment allowance at the end of the qualifying reinvestment allowance period of fifteen years can be carried forward for seven consecutive YAs. However, unabsorbed capital allowances can be carried forward indefinitely.

Notes to The Financial Statements (Cont'd)

31 December 2023

9. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

The unabsorbed reinvestment allowance will be disregarded in the YA 2026, while the unused tax losses will be disregarded in the following YAs:

	GROUP	
	2023 RM	2022 RM
YA 2029	11,677,089	14,982,071
YA 2030	544,916	544,916
YA 2031	78,089	78,089
YA 2032	1,385,348	1,762,112
YA 2033	2,665,559	2,671,155
YA 2034	1,234,760	-
	17,585,761	20,038,343

10. TRADE AND OTHER RECEIVABLES

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Non-current					
Trade receivables					
Retention sum receivable	10.1	204,745	658,855	-	-
Other receivables					
Amount due from subsidiaries	10.2	-	-	17,467,123	9,948,693
Refundable deposit	10.3	2,295,000	2,195,000	-	-
Prepayment	10.4	-	-	48,600,000	48,600,000
		2,295,000	2,195,000	66,067,123	58,548,693
Total non-current trade and other receivables		2,499,745	2,853,855	66,067,123	58,548,693
Current					
Trade receivables					
Third parties	10.5	28,962,835	46,600,686	-	-
Retention sum receivable	10.1	658,856	2,079,716	-	-
		29,621,691	48,680,402	-	-

Notes to The Financial Statements (Cont'd)

31 December 2023

10. TRADE AND OTHER RECEIVABLES (cont'd)

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Other receivables					
Sundry receivables	10.6	12,399,311	14,378,089	361,821	256,413
Amount due from subsidiaries	10.2	-	-	102,507	101,624
Stakeholder sum	10.7	5,745,578	5,745,578	5,745,578	5,745,578
Less: Allowance for expected credit losses		(5,745,578)	(5,745,578)	(5,745,578)	(5,745,578)
		-	-	-	-
Refundable deposits		4,713,525	4,504,482	66,156	66,156
Prepayments		5,528,130	6,511,332	150,000	150,000
GST recoverable		18,231	18,231	-	-
		22,659,197	25,412,134	680,484	574,193
Total current trade and other receivables		52,280,888	74,092,536	680,484	574,193
Total trade and other receivables		54,780,633	76,946,391	66,747,607	59,122,886

The currency profile of trade and other receivables is as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	34,655,775	51,568,933	66,747,607	59,122,886
United States Dollar	17,626,446	23,078,307	-	-
Cambodian Riel	2,307,760	2,275,324	-	-
Renminbi	172,458	-	-	-
Australian Dollar	16,893	16,893	-	-
Singapore Dollar	1,301	646	-	-
Euro	-	6,288	-	-
	54,780,633	76,946,391	66,747,607	59,122,886

10.1 Retention sum receivable

The retention sum receivable of the Group refers to the retention sum due from a company in which a director of the Company has substantial financial interests.

10.2 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, non-interest bearing and classified based on the expected timing of realisation except for **RM17,467,123** (2022: RM10,036,200) on which interest is charged at **5.48%** (2022: 4.68%) per annum.

Notes to The Financial Statements (Cont'd)

31 December 2023

10. TRADE AND OTHER RECEIVABLES (cont'd)

10.3 Refundable deposit

The refundable deposit under non-current assets of the Group refers to the statutory deposit placed with the National Bank of Cambodia upon issuance of the gaming license by the Ministry of Economy and Finance Cambodia to a subsidiary, PCL.

10.4 Prepayment

The prepayment under non-current assets of the Company represents the capital outlay to a subsidiary, GM, which is yet to be converted into share capital, due to certain terms and conditions stated in the Joint Venture Agreement are not met.

10.5 Trade receivables

The normal credit terms granted to trade receivables range from **30 to 60 days** (2022: 30 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in the trade receivables of the Group is an amount of **RM5,232,019** (2022: RM11,415,950) due from a company in which a director of the Company has substantial financial interests.

10.6 Sundry receivables

Included in the sundry receivables of the Group are an amount of:

- (i) **RM5,666,445** (2022: RM5,666,445) being performance bond paid to a company in which a director of the Company has substantial financial interests pursuant to the Project Financing, Management and Construction Agreement ("PFMC Agreement") in relation to the development of a land in Tasek Gelugor, Pulau Pinang; and
- (ii) **RM5,000,000** (2022: RM5,000,000) being performance bond paid to a corporate shareholder of a subsidiary, GC, to guarantee the due performance of GC in Engineering, Procurement, Construction and Commissioning and Glove Technology Solution Consulting ("EPCC Contract") in relation to gloves production lines.

10.7 Stakeholder sum

The stakeholder sum was paid to a legal firm and is under the material litigation as disclosed in Note 31 to the financial statements.

11. INVENTORY PROPERTIES

	NOTE	GROUP	
		2023 RM	2022 RM
Land held for development	11.1	35,000,000	35,000,000
Property development costs	11.2		
- Land related costs		100,391,009	97,404,315
- Development costs		23,856,870	15,812,890
Completed development units	11.3	9,046,200	11,434,300
		168,294,079	159,651,505

Notes to The Financial Statements (Cont'd)

31 December 2023

11. INVENTORY PROPERTIES (cont'd)

11.1 Land held for development

On 1 March 2022, LA, a subsidiary of the Company, had entered into a Sale and Purchase Agreement with Sime Darby Brunsfield Damansara Sdn. Bhd. and Sime Darby Property (Ara Damansara) Sdn. Bhd. to acquire freehold land at Selangor for a total cash consideration of RM35,000,000.

The land held for development is pledged to a licensed bank as securities for banking facilities granted to a subsidiary as disclosed in Note 18 to the financial statements.

11.2 Property development costs

During the financial year, JCSB, a subsidiary of the Company, has accrued the present value of the land related costs of **RM81,583,903** (2022: RM78,597,209) pursuant to the Joint Venture Agreement entered between JCSB and the landowner.

Included in property development costs incurred during the financial year are interest expense of **RM1,793,415** (2022: RM218,545).

11.3 Completed development units

	GROUP	
	2023	2022
	RM	RM
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	2,452,834	435,397
Inventory properties written down	-	187,585
	<u> </u>	<u> </u>

Material accounting policy information

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

12. INVENTORIES

	GROUP	
	2023	2022
	RM	RM
At cost		
Raw materials	14,125,978	19,924,053
Work-in-progress	3,676,375	3,762,934
Finished goods	6,804,273	8,463,707
Consumables	18,426	26,069
	<u> </u>	<u> </u>
	24,625,052	32,176,763
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	103,747,278	126,557,542
Inventories written down		
- Addition	-	165,413
- Reversal	(333,779)	-
	<u> </u>	<u> </u>

Notes to The Financial Statements (Cont'd)

31 December 2023

12. INVENTORIES (cont'd)

Material accounting policy information

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined on the first-in, first-out basis.

13. CONTRACT ASSETS/(LIABILITIES)

		GROUP	
	NOTE	2023 RM	2022 RM
Contract assets			
- Construction contracts	13.1	873,882	-
Contract liabilities			
- Deposits received from customers	13.2	(52,179,156)	(65,658,030)
		<u>(51,305,274)</u>	<u>(65,658,030)</u>

13.1 Contract assets - construction contracts

		GROUP	
		2023 RM	2022 RM
Balance at beginning		-	2,341,738
Revenue recognised during the financial year		2,921,335	1,055,327
Progress billings during the financial year		(2,047,453)	(3,397,065)
		<u>873,882</u>	<u>-</u>

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

13.2 Contract liabilities - deposits received from customers

		GROUP	
		2023 RM	2022 RM
Balance at beginning		(65,658,030)	(55,129,490)
Revenue recognised during the financial year		18,262,876	10,112,651
Deposits received during the financial year		(4,784,002)	(20,641,191)
		<u>(52,179,156)</u>	<u>(65,658,030)</u>

Notes to The Financial Statements (Cont'd)

31 December 2023

13. CONTRACT ASSETS/(LIABILITIES) (cont'd)

13.2 Contract liabilities - deposits received from customers (cont'd)

Included in the contract liabilities of the Group are an amount of:

- (i) **RM489,600** (2022: Nil) being deposits received from customers in advance in relation to the sales of completed properties;
- (ii) **RM512,107** (2022: RM2,316,692) being deposits received from customers in advance to manufacture moulds; and
- (iii) **RM51,177,449** (2022: RM63,341,338) being deposits received from a customer pursuant to the EPCC Contract in relation to gloves production lines. The decrease in contract liabilities in 2023 is mainly due to recognition of EPCC contract revenue during the financial year.

14. CONTRACT COSTS

	NOTE	GROUP	
		2023 RM	2022 RM
Cost to obtain contract			
- Construction contracts	14.1	903,674	1,062,000
Cost to fulfill contract			
- Manufacturing of moulds	14.2	372,699	1,319,519
- EPCC Contract	14.3	41,735,500	49,101,000
		42,108,199	50,420,519
		43,011,873	51,482,519

14.1 Cost to obtain contract – construction contracts

Cost to obtain contract in relation to the construction contracts primarily comprises compensation paid to the former contractor.

Capitalised compensation to the former contractor is amortised over the period in which the related revenue is recognised. During the financial year, the amount of amortisation is **RM158,326** (2022: RM51,000).

14.2 Cost to fulfill contract – manufacturing of moulds

Cost to fulfil contract in relation to the manufacturing of moulds comprises costs incurred to manufacture moulds which the related mould income has yet to be recognised as revenue.

These costs are amortised to profit or loss when the related mould income is recognised. During the financial year, the amount of amortisation is **RM1,144,573** (2022: RM2,244,126).

14.3 Cost to fulfill contract – EPCC Contract

Cost to fulfill contract in relation to the EPCC Contract comprises cost incurred to manufacture machine parts for gloves production lines which the related EPCC Contract revenue has yet to be recognised as revenue.

These costs are amortised over the period to profit or loss when the related revenue in relation to EPCC Contract is recognised. During the financial year, the amount of amortisation is **RM9,440,000** (2022: RM5,310,000).

Notes to The Financial Statements (Cont'd)

31 December 2023

15. CASH AND BANK BALANCES

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Fixed deposits with licensed banks	15.1				
- Unencumbered		17,694,376	4,383,796	5,000,000	-
- Encumbered		3,825,446	1,099,197	-	-
		21,519,822	5,482,993	5,000,000	-
Short term money market deposits	15.2	4,086,220	5,077,000	-	-
Cash in hand and at banks		46,603,722	59,793,272	6,034,794	19,712,632
		72,209,764	70,353,265	11,034,794	19,712,632

15.1 Fixed deposits with licensed banks

GROUP

The encumbered fixed deposits are pledged to licensed banks as securities for banking facilities granted to certain subsidiaries as disclosed in Note 18 to the financial statements.

The effective interest rates per annum and maturities of the fixed deposits with licensed banks as at the end of the reporting period range from **2.00% to 5.80%** (2022: 1.75% to 5.80%) per annum and **3 months to 12 months** (2022: 3 months to 12 months) respectively.

COMPANY

The effective interest rate per annum and maturity of the fixed deposit with a licensed bank as at the end of the reporting period are **4.50%** (2022: Nil) per annum and **12 months** (2022: Nil) respectively.

15.2 Short term money market deposits

The effective interest rates per annum and maturity of the short term money market deposits as at the end of the reporting period range from **2.30% to 2.50%** (2022: 1.80%) per annum and **1 day** (2022: 1 day) respectively.

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	65,006,194	59,753,716	11,034,794	19,712,632
United States Dollar	7,194,638	10,569,557	-	-
Singapore Dollar	3,082	29,533	-	-
Others	5,850	459	-	-
	72,209,764	70,353,265	11,034,794	19,712,632

Notes to The Financial Statements (Cont'd)

31 December 2023

16. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2023	2022	2023	2022
			RM	RM
Issued and fully paid:				
Balance at beginning	3,022,624,412	2,892,968,612	312,270,332	299,304,752
Issuance of ordinary shares pursuant to exercise of warrants	50,000	129,655,800	5,000	12,965,580
Balance at end	3,022,674,412	3,022,624,412	312,275,332	312,270,332

During the financial year, the Company has increased its issued and fully paid up ordinary share capital by way of issuance of **50,000** (2022: 129,655,800) new ordinary shares pursuant to the exercise of warrants at an exercise price of RM0.10 per warrant.

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

17. RESERVES

	NOTE	GROUP		COMPANY	
		2023	2022	2023	2022
		RM	RM	RM	RM
Foreign currency translation reserve	17.1	688,759	405,712	-	-
Warrants reserve	17.2	-	10,125,000	-	10,125,000
Discount on shares	17.2	-	(10,125,000)	-	(10,125,000)
Capital reserve	17.3	8,419,642	8,419,642	-	-
Fair value adjustment reserve	17.4	(2,375,612)	(5,099,263)	(2,375,612)	(5,099,263)
		6,732,789	3,726,091	(2,375,612)	(5,099,263)

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 foreign operation whose functional currency is different from that of the Group's presentation currency.

17.2 Warrants reserve and discount on shares

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

	GROUP AND COMPANY	
	2023	2022
	RM	RM
Warrants B expiring 26 May 2023	-	10,125,000

Notes to The Financial Statements (Cont'd)

31 December 2023

17. RESERVES (cont'd)

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

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, 50,000 Warrants B are exercised. The remaining 215,950,000 unexercised Warrants B has been lapsed on 27 May 2023 and thereafter ceased to be valid for any purpose.

The main features of the Warrants B are as follows:

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

The discount on shares is a reserve account that was created to preserve the par value of the ordinary shares prior to the implementation of the no par regime on 31 January 2017 pursuant to the Companies Act 2016.

17.3 Capital reserve

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

17.4 Fair value adjustment reserve

The fair value adjustment reserve represents the cumulative fair value changes, net of tax, of equity instruments, recognised through other comprehensive income until they are disposed or impaired.

Notes to The Financial Statements (Cont'd)

31 December 2023

18. BORROWINGS

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Non-current				
Secured:				
<u>Finance lease liabilities</u>				
Minimum payments:				
Within one year	553,180	670,713	-	-
More than one year and less than two years	498,880	553,180	-	-
More than two years and less than five years	741,180	1,240,060	-	-
	1,793,240	2,463,953	-	-
Future finance charges	(179,066)	(294,960)	-	-
	1,614,174	2,168,993	-	-
Amount due within one year included under current liabilities	(468,963)	(554,819)	-	-
	1,145,211	1,614,174	-	-
<u>Term loans</u>				
Total amount repayable	35,998,153	38,308,471	-	-
Amount due within one year included under current liabilities	(2,142,118)	(2,252,676)	-	-
	33,856,035	36,055,795	-	-
	35,001,246	37,669,969	-	-
Current				
Secured:				
Bankers' acceptance	15,581,697	22,572,575	-	-
Finance lease liabilities	468,963	554,819	-	-
Margin facilities	5,959,935	5,549,162	5,959,935	5,549,162
Term loans	2,142,118	2,252,676	-	-
	24,152,713	30,929,232	5,959,935	5,549,162
Total borrowings	59,153,959	68,599,201	5,959,935	5,549,162

The borrowings are secured by way of:

- (i) Legal charge over the leasehold land and buildings of certain subsidiaries as disclosed in Note 4 to the financial statements;
- (ii) Pledge of quoted equity investments as disclosed in Note 8 to the financial statements;
- (iii) Legal charge over the land held for development of a subsidiary as disclosed in Note 11 to the financial statements;
- (iv) Pledge of fixed deposits with licensed banks as disclosed in Note 15 to the financial statements;
- (v) Corporate guarantee of the Company; and
- (vi) Leased assets as disclosed in Note 4 to the financial statements.

Notes to The Financial Statements (Cont'd)

31 December 2023

18. BORROWINGS (cont'd)

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

	Effective interest rates per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2023						
Bankers' acceptance	4.39 to 5.60	15,581,697	15,581,697	-	-	-
Finance lease liabilities	3.60 to 4.21	1,614,174	468,963	441,023	704,188	-
Margin facilities	7.25	5,959,935	5,959,935	-	-	-
Term loans	4.87 to 6.95	35,998,153	2,142,118	2,789,309	25,250,961	5,815,765
2022						
Bankers' acceptance	3.63 to 5.27	22,572,575	22,572,575	-	-	-
Finance lease liabilities	3.60 to 4.21	2,168,993	554,819	468,963	1,145,211	-
Margin facilities	7.00	5,549,162	5,549,162	-	-	-
Term loans	4.33 to 6.70	38,308,471	2,252,676	2,316,805	20,948,629	12,790,361
COMPANY						
2023						
Margin facilities	7.25	5,959,935	5,959,935	-	-	-
2022						
Margin facilities	7.00	5,549,162	5,549,162	-	-	-

Notes to The Financial Statements (Cont'd)

31 December 2023

19. TRADE AND OTHER PAYABLES

	NOTE	GROUP		COMPANY	
		2023 RM	2022 RM	2023 RM	2022 RM
Non-current					
Trade payables					
Retention sum payables		623,992	900,262	-	-
Other payables					
Retention sum payables		328,087	498,056	-	-
Accrual	19.1	81,583,903	78,597,209	-	-
		81,911,990	79,095,265	-	-
Total non-current trade and other payables		82,535,982	79,995,527	-	-
Current					
Trade payables					
Third parties	19.2	19,726,240	19,437,742	-	-
Retention sum payables		527,596	2,030,614	-	-
		20,253,836	21,468,356	-	-
Other payables					
Sundry payables					
- Interest bearing at 5.45% per annum		5,717,903	-	-	-
- Non-interest bearing		11,373,334	19,684,207	10,772	-
Retention sum payables		26,500	-	-	-
Accruals		2,580,839	3,895,137	66,096	230,297
Amount due to a director of a subsidiary	19.3	10,633,000	6,175,361	-	-
Amount due to a corporate shareholder of a subsidiary	19.4	3,960,000	3,984,308	-	-
Amount due to a related party	19.5	294,769	304,521	-	-
Amount due to subsidiaries	19.6	-	-	613,531	2,153,429
Deposits received		43,500	133,164	-	-
		34,629,845	34,176,698	690,399	2,383,726
Total current trade and other payables		54,883,681	55,645,054	690,399	2,383,726
Total trade and other payables		137,419,663	135,640,581	690,399	2,383,726

Notes to The Financial Statements (Cont'd)

31 December 2023

19. TRADE AND OTHER PAYABLES (cont'd)

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Ringgit Malaysia	135,342,018	131,734,226	690,399	2,383,726
United States Dollar	1,912,065	3,720,618	-	-
Cambodian Riel	165,580	184,481	-	-
Singapore Dollar	-	1,256	-	-
	137,419,663	135,640,581	690,399	2,383,726

19.1 Accrual

The accrual under non-current liabilities of the Group represents the present value of the land related costs in relation to a development project and it will become payable to the landowner upon completion of the development project.

19.2 Trade payables

The trade payables are non-interest bearing and is normally settled within **30 to 60 days** (2022: 30 to 60 days) credit terms.

19.3 Amount due to a director of a subsidiary

The amount due to a director of a subsidiary is unsecured, non-interest bearing and repayable on demand.

19.4 Amount due to a corporate shareholder of a subsidiary

The amount due to a corporate shareholder of a subsidiary are unsecured, non-interest bearing and repayable on demand.

19.5 Amount due to a related party

The amount due to a related party represents a company in which a director of a subsidiary has substantial financial interests. It is unsecured, non-interest bearing and normally settled within **30 days** (2022: 30 days).

19.6 Amount due to subsidiaries

The amount due to subsidiaries are unsecured, non-interest bearing and repayable on demand except for **RM613,531** (2022: RM2,112,220) on which interest is charged at **5.48%** (2022: 4.68%) per annum.

20. REFUND LIABILITIES

Refund liabilities arising from rights of return represent the sales return from the customers.

Notes to The Financial Statements (Cont'd)

31 December 2023

21. REVENUE

21.1 Disaggregated revenue information

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Types of goods or services				
Sale of goods	114,813,875	140,794,082	-	-
Mould income	5,064,285	2,967,926	-	-
Construction contract revenue	2,921,335	1,055,327	-	-
Sales of completed properties	2,268,000	415,000	-	-
Sales of lottery tickets	2,559,013	3,676,604	-	-
EPC Contract	13,198,591	7,144,725	-	-
Management fee	-	-	270,000	270,000
Revenue from contracts with customers	140,825,099	156,053,664	270,000	270,000
Dividend income, representing other revenue	-	-	-	47,050,000
Total revenues	140,825,099	156,053,664	270,000	47,320,000
Geographical markets				
Malaysia	53,617,784	60,367,136	270,000	270,000
United Kingdom	25,303,936	27,525,208	-	-
Asia-Pacific	25,193,874	32,000,718	-	-
United States of America	21,166,877	17,090,942	-	-
Germany	10,590,136	9,720,099	-	-
New Zealand	1,640,233	2,127,105	-	-
Saudi Arabia	1,020,383	726,193	-	-
South Africa	856,435	812,214	-	-
Kenya	564,730	609,017	-	-
Chile	452,807	171,015	-	-
Other countries	417,904	464,247	-	-
Italy	-	4,439,770	-	-
Total revenue from contracts with customers	140,825,099	156,053,664	270,000	270,000
Timing of revenue recognition				
Revenue recognised at a point in time	124,705,173	147,853,612	-	-
Revenue recognised over time	16,119,926	8,200,052	270,000	270,000
Total revenue from contracts with customers	140,825,099	156,053,664	270,000	270,000

Notes to The Financial Statements (Cont'd)

31 December 2023

21. REVENUE (cont'd)

21.2 Contract balances

	GROUP	
	2023	2022
	RM	RM
Trade receivables (Note 10)	29,826,436	49,339,257
Contract assets (Note 13)	873,882	-
Contract liabilities (Note 13)	(52,179,156)	(65,658,030)

21.3 Performance obligations

The performance obligations of the respective revenue are as follows:

(i) Sale of goods

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

Rights of return

Certain contracts provide the customers with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in *MFRS 15* on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Mould income

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

(iii) Construction contract revenue

The Group constructs residential properties under long-term contracts with customers. Such contracts are entered into before construction of the residential properties begins. Under the terms of the contracts, the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue from construction of residential properties is therefore recognised over time on a cost-to-cost method, i.e., based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under *MFRS 15*.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(iv) Sales of completed properties

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

Notes to The Financial Statements (Cont'd)

31 December 2023

21. REVENUE (cont'd)

21.3 Performance obligations (cont'd)

(v) Sales of lottery tickets

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

(vi) EPCC Contract

The Group designs and sets up glove production line for its customer. Such contract is entered into before the work begins. Under the term of the contract, the Group's performance creates or enhances the glove production line that the customer controls as the glove production line is created or enhanced. Revenue from EPCC Contract is therefore recognised over time on a cost-to-cost method, i.e., based on the proportion of contract costs incurred for work performed to date relative to the estimate total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under *MFRS 15*.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(vii) Management fee

Management fee is recognised when services are rendered.

Unsatisfied performance obligations

The transaction price allocated to the remaining performance obligations of the Group (unsatisfied or partially satisfied) to be fulfilled as follows:

	GROUP	
	2023	2022
	RM	RM
Within one year		
- mould income	696,142	3,925,456
- EPCC Contract revenue	14,110,425	40,486,775
More than one year		
- EPCC Contract revenue	64,741,950	47,631,500

Notes to The Financial Statements (Cont'd)

31 December 2023

22. PROFIT/(LOSS) BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
After charging:				
Accretion of interest on lease liabilities	38,513	60,226	-	-
Auditors' remuneration				
- Statutory audit				
- Grant Thornton Malaysia PLT				
- Current year	208,000	211,500	42,000	49,000
- Over provision in prior year	(16,500)	-	-	-
- Other auditors	18,000	21,000	-	-
Assurance related and non-audit services				
- Grant Thornton Malaysia PLT	3,000	3,000	3,000	3,000
- Affiliate of Grant Thornton Malaysia PLT	61,700	54,650	5,000	5,000
Depreciation of:				
- investment properties	7,938	-	-	-
- property, plant and equipment	3,721,250	4,081,297	-	-
- right-of-use assets	593,416	737,812	-	-
Directors' fees	227,000	216,000	227,000	216,000
Expense relating to leases of low-value assets	92,800	206,301	-	-
Expense relating to short-term leases	429,340	445,750	-	-
Impairment losses on:				
- goodwill on consolidation	-	6,445,959	-	-
- investment in subsidiaries	-	-	499,483	32,136,239
- property, plant and equipment	-	314,000	-	-
Interest expenses on:				
- amount due to subsidiaries	-	-	63,400	571,665
- bank overdraft	-	91	-	-
- bankers' acceptance	1,109,010	780,622	-	-
- finance lease liabilities	115,894	43,476	-	-
- margin facilities	410,758	216,394	410,758	216,394
- revolving credit	2,823	40,642	-	-
- term loans	464,130	486,799	-	-
- others	-	2,097	-	-

Notes to The Financial Statements (Cont'd)

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22. PROFIT/(LOSS) BEFORE TAX (cont'd)

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Loss on disposal of property, plant and equipment	-	9,349	-	-
Realised loss on foreign exchange	1,139,558	20,170	-	-
* Staff costs	27,515,901	27,675,278	920,976	1,185,695
Unrealised loss on foreign exchange	141,196	567,676	-	-
Written down:				
- inventories				
- addition	-	165,413	-	-
- reversal	(333,779)	-	-	-
- inventory properties	-	187,585	-	-
Written off:				
- bad debts				
- trade receivables	483,656	-	-	-
- other receivables	-	1,041,479	-	-
- amount due from a subsidiary	-	-	13,022	9,565
- deposit	1,520	1,200,000	-	-
- inventory properties	-	3,578,900	-	-
- property, plant and equipment	42,066	59,436	-	-
And crediting:				
Commission income	-	32,134	-	-
Fair value gain on other investments designated at FVTPL	339,672	122,987	-	-
Gain on derecognition of right-of-use assets and lease liabilities	10,110	3,051	-	-
Gain on disposal of property, plant and equipment	28,384	404,945	-	-
Interest income on:				
- amount due from subsidiaries	-	-	733,927	385,657
- current accounts	1,511,475	511,718	276,288	70,941
- fixed deposits with licensed banks	738,653	79,214	225,000	-
- others	8,046	22,439	-	-
Realised gain on foreign exchange	14,485	2,500,601	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	7,216,522	8,756,390
Unrealised gain on foreign exchange	675,230	-	-	-
Unwinding discount on other receivables	-	763,952	-	-
	27,515,901	27,675,278	920,976	1,185,695
* Staff costs				
- Salaries, wages allowances, bonus and incentive	25,262,151	25,368,767	818,053	1,052,605
- Defined contribution plan	1,898,330	1,986,644	96,116	128,111
- Social security contribution	329,712	296,243	6,109	4,468
- Employment insurance scheme	25,708	23,624	698	511
	27,515,901	27,675,278	920,976	1,185,695

Notes to The Financial Statements (Cont'd)

31 December 2023

22. PROFIT/(LOSS) BEFORE TAX (cont'd)

Included in the staff costs of the Group and of the Company are directors' remuneration as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Executive Directors:				
<i>Directors of the Company:</i>				
- Salaries and allowances	1,432,570	1,695,180	511,270	714,950
- EPF	171,812	196,440	59,556	86,302
	1,604,382	1,891,620	570,826	801,252
<i>Directors of subsidiaries:</i>				
- Salaries and allowances	505,062	313,026	-	-
- EPF	25,920	28,597	-	-
	530,982	341,623	-	-
	2,135,364	2,233,243	570,826	801,252
Non-Executive Directors:				
<i>Directors of the Company:</i>				
- Allowances	4,500	5,500	4,500	5,500
	4,500	5,500	4,500	5,500
Total	2,139,864	2,238,743	575,326	806,752

23. TAXATION

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	(1,766,008)	(1,008,614)	-	(169,000)
- Deferred tax relating to the origination and reversal of temporary differences	(1,018,013)	(2,337,526)	-	-
- Real property gains tax	-	(2,800)	-	-
	(2,784,021)	(3,348,940)	-	(169,000)
(Under)/Over provision in prior year				
- Current tax	(60,712)	(345,329)	(534)	(1,045)
- Deferred tax	(31,821)	179,639	-	-
	(92,533)	(165,690)	(534)	(1,045)
	(2,876,554)	(3,514,630)	(534)	(170,045)

Notes to The Financial Statements (Cont'd)

31 December 2023

23. TAXATION (cont'd)

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

The reconciliation of taxation of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit/(Loss) before tax	4,538,125	(15,092,050)	5,923,808	15,781,693
Income tax at Malaysian statutory tax rate of 24%	(1,089,150)	3,622,092	(1,421,714)	(3,787,606)
Effect of tax rate in foreign jurisdiction	8,044	19,653	-	-
Income not subject to tax	90,995	32,436	1,731,965	13,393,534
Expenses not deductible for tax purposes	(1,697,122)	(5,963,044)	(310,251)	(9,774,928)
Utilisation of reinvestment allowance	56,771	250,671	-	-
Deferred tax assets not recognised	(1,038,521)	(1,408,716)	-	-
Utilisation of unrecognised unused tax losses	884,962	100,768	-	-
Effect of real property gains tax	-	(2,800)	-	-
	(2,784,021)	(3,348,940)	-	(169,000)
Under provision in prior year	(92,533)	(165,690)	(534)	(1,045)
	(2,876,554)	(3,514,630)	(534)	(170,045)

24. EARNINGS/(LOSS) PER SHARE

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

	GROUP	
	2023	2022
Profit/(Loss) attributable to owners of the Company (RM)	2,106,136	(16,913,710)
Weighted average number of ordinary shares in issue	3,022,654,412	2,971,567,781
Basic earnings/(loss) per share (in sen)	0.07	(0.57)

The earnings/(loss) per share is not diluted as the Company does not have any dilutive potential ordinary shares as at the end of the reporting period.

Notes to The Financial Statements (Cont'd)

31 December 2023

25. SEGMENTAL INFORMATION

Business Segments

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

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

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

- (i) Manufacturing of precision plastic parts, sub-assembly, die-casting components and precision engineering works;
- (ii) Construction and property development;
- (iii) Glove manufacturing and EPCC Contract;
- (iv) Gaming and leisure; and
- (v) Others which consist of investment holding and inactive companies.

Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current financial year and previous financial year.

Segment assets exclude tax assets and unallocated assets.

Segment liabilities exclude tax liabilities and unallocated liabilities.

Notes to The Financial Statements (Cont'd)

31 December 2023

25. SEGMENTAL INFORMATION (cont'd)

By business segments

	2023	Manufacturing RM	Construction and property development RM	Glove manufacturing and EPCC Contract RM	Gaming and leisure RM	Others RM	Elimination RM	NOTE	Total RM
Revenue									
External sales		119,878,160	5,189,335	13,198,591	2,559,013	-	-		140,825,099
Inter-segment sales		-	-	-	-	510,000	(510,000)	A	-
Total revenue		119,878,160	5,189,335	13,198,591	2,559,013	510,000	(510,000)		140,825,099
Results									
Segment results		6,467,943	(1,436,855)	1,324,370	157,918	(2,092,297)	-		4,421,079
Finance costs									(2,141,128)
Finance income									2,258,174
Tax expense									(2,876,554)
Profit for the financial year									1,661,571
Assets									
Segment assets		135,970,396	205,055,603	149,354,191	6,939,074	41,991,696	-		539,310,960
Tax assets									1,268,416
Total assets									540,579,376
Liabilities									
Segment liabilities		28,848,939	130,930,772	83,709,956	220,756	6,045,809	-		249,756,232
Tax liabilities									2,500,508
Total liabilities									252,256,740

Notes to The Financial Statements (Cont'd)

31 December 2023

25. SEGMENTAL INFORMATION (cont'd)

	Manufacturing RM	Construction and property development RM	Glove manufacturing and EPCC Contract RM	Gaming and leisure RM	Others RM	Elimination RM	NOTE	Total RM
Other segment information								
Additions to non-current assets	1,468,746	7,745,267	2,480,997	-	-	-	B	11,695,010
Depreciation of:								
- investment properties	-	7,938	-	-	-	-		7,938
- property, plant and equipment	3,523,940	34,813	95,380	67,117	-	-		3,721,250
- right-of-use assets	207,193	5,875	228,274	152,074	-	-		593,416
Non-cash (income)/expenses other than depreciation	(249,417)	3,680	(456,162)	13,629	8,046	-	C	(680,224)
2022								
Revenue								
External sales	143,762,008	1,470,327	7,144,725	3,676,604	-	-		156,053,664
Inter-segment sales	149,405	-	-	-	665,000	(814,405)	A	-
Total revenue	143,911,413	1,470,327	7,144,725	3,676,604	665,000	(814,405)		156,053,664
Results								
Segment results	4,114,421	(8,553,656)	(2,759,731)	520,189	(7,396,297)	-		(14,075,074)
Finance costs								(1,630,347)
Finance income								613,371
Tax expense								(3,514,630)
Loss for the financial year								(18,606,680)

Notes to The Financial Statements (Cont'd)

31 December 2023

25. SEGMENTAL INFORMATION (cont'd)

	Manufacturing RM	Construction and property development RM	Glove manufacturing and EPCC Contract RM	Gaming and leisure RM	Others RM	Elimination RM	NOTE	Total RM
Assets								
Segment assets	142,732,782	196,714,525	158,761,162	6,976,052	50,089,328	-		555,273,849
Tax assets								<u>901,537</u>
Total assets								<u>556,175,386</u>
Liabilities								
Segment liabilities	43,699,614	122,412,923	98,878,006	423,784	5,826,354	-		271,240,681
Tax liabilities								<u>963,083</u>
Total liabilities								<u>272,203,764</u>
Other segment information								
Additions to non-current assets	4,960,717	50,919	22,035,937	119,134	-	-	B	27,166,707
Depreciation of:								
- property, plant and equipment	3,877,753	59,690	97,276	46,578	-	-		4,081,297
- right-of-use assets	194,522	-	342,409	167,591	33,290	-		737,812
Impairment losses on:								
- goodwill on consolidation	6,445,959	-	-	-	-	-		6,445,959
- property, plant and equipment	314,000	-	-	-	-	-		314,000
Non-cash expenses/(income) other than depreciation and impairment loss	308,865	5,249,866	(33,902)	26,756	5,769,122	-	C	11,320,707

Notes to The Financial Statements (Cont'd)

31 December 2023

25. SEGMENTAL INFORMATION (cont'd)

- A Inter-segment revenues are eliminated on consolidation.
- B Additions to non-current assets consist of total costs incurred to acquire property, plant and equipment and investment properties. It excludes the additions of right-of-use assets, other investments, deferred tax assets and financial instruments.
- C Other material non-cash (income)/expenses other than depreciation, impairment loss on goodwill on consolidation and impairment loss on property, plant and equipment consist of the following items:

	2023 RM	2022 RM
Accretion of interest on lease liabilities	38,513	60,226
Allowance for expected credit losses on other receivables	-	5,745,578
Fair value gain on other investments designated at FVTPL	(339,672)	(122,987)
Gain on derecognition of right-of-use assets and lease liabilities	(10,110)	(3,051)
Gain on disposal of property, plant and equipment, net	(28,384)	(395,596)
Unrealised (gain)/loss on foreign exchange, net	(534,034)	567,676
Unwinding discount on other receivables	-	(763,952)
Written down:		
- inventories		
- addition	-	165,413
- reversal	(333,779)	-
- inventory properties	-	187,585
Written off:		
- bad debts		
- trade receivables	483,656	-
- other receivables	-	1,041,479
- deposit	1,520	1,200,000
- inventory properties	-	3,578,900
- property, plant and equipment	42,066	59,436
	(680,224)	11,320,707

By geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers as disclosed in Note 21.1 to the financial statements. Segment assets are based on the geographical location of assets.

	Non-current assets	
	2023 RM	2022 RM
Malaysia	165,725,788	155,591,916
Cambodia	2,412,160	2,523,596
	168,137,948	158,115,512

Information about major customers

Total revenue from 1 (2022: 1) major customer which individually contributed to 10% or more of the Group's revenue from the manufacturing and construction and property development segments amounted to **RM48,129,574** (2022: RM53,965,312).

Notes to The Financial Statements (Cont'd)

31 December 2023

26. CAPITAL COMMITMENTS

	GROUP	
	2023	2022
	RM	RM
Contracted but not provided for:		
- Property, plant and equipment	6,117,651	7,548,681

27. RELATED PARTY DISCLOSURES

(i) Identity of related parties

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

Related parties	Relationship
- Aimflex Metal Sdn. Bhd. - Aimflex System Sdn. Bhd.	} Companies in which certain directors of the Company, Mr. Chuah Chong Ewe and Mr. Chuah Chong San, have substantial financial interests.
- GDW Mengkuang Sdn. Bhd.	A company in which a director of the Company, Mr. Phuah Cheng Peng, has substantial financial interests.
- Glomaxes Latex Gloves Manufacturer Sdn. Bhd.	A company in which a director of a subsidiary, Mr. Yee Voon Hon, has substantial financial interests.

(ii) Related party transactions

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM	RM	RM	RM
Dividend income from subsidiaries	-	-	-	47,050,000
Interest paid to subsidiaries	-	-	(63,400)	(571,665)
Interest income from subsidiaries	-	-	733,927	385,657
Management fee income from subsidiaries	-	-	270,000	270,000
Net (advance to)/repayment from subsidiaries	-	-	(6,831,707)	31,260,050
Reassignment of debts from subsidiaries	-	-	-	6,150,000

Notes to The Financial Statements (Cont'd)

31 December 2023

27. RELATED PARTY DISCLOSURES (cont'd)

(ii) Related party transactions (cont'd)

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Purchase of computer equipment from Aimflex System Sdn. Bhd.	41,018	-	-	-
Manpower fee received from Aimflex Metal Sdn. Bhd.	75,370	-	-	-
Progress billings to GDW Mengkuang Sdn. Bhd.	2,047,453	3,397,065	-	-
Factory overhead cost paid to Glomaxes Latex Gloves Manufacturer Sdn. Bhd.	-	457,185	-	-
Rental income received from Glomaxes Latex Gloves Manufacturer Sdn. Bhd.	-	7,000	-	-

(iii) Compensation of key management personnel

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

The Company has no other members of key management personnel apart from the directors which compensation is as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Fees	227,000	216,000	227,000	216,000
Salaries and allowances	1,942,132	2,013,706	515,770	720,450
EPF	197,732	225,037	59,556	86,302
	2,366,864	2,454,743	802,326	1,022,752

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

	Carrying amount RM	AC RM	FVOCI RM	FVTPL RM
GROUP				
2023				
Financial assets				
Other investments	39,928,631	-	29,960,157	9,968,474
Trade and other receivables (excluding prepayments and GST recoverable)	49,234,272	49,234,272	-	-
Cash and bank balances	72,209,764	72,209,764	-	-
	161,372,667	121,444,036	29,960,157	9,968,474
Financial liabilities				
Borrowings	59,153,959	59,153,959	-	-
Trade and other payables (excluding accrual for land related costs)	55,835,760	55,835,760	-	-
	114,989,719	114,989,719	-	-
2022				
Financial assets				
Other investments	36,665,255	-	27,236,506	9,428,749
Trade and other receivables (excluding prepayments and GST recoverable)	70,416,828	70,416,828	-	-
Cash and bank balances	70,353,265	70,353,265	-	-
	177,435,348	140,770,093	27,236,506	9,428,749
Financial liabilities				
Borrowings	68,599,201	68,599,201	-	-
Trade and other payables (excluding accrual for land related costs)	57,043,372	57,043,372	-	-
	125,642,573	125,642,573	-	-

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS (cont'd)

28.1 Categories of financial instruments (cont'd)

	Carrying amount RM	AC RM	FVOCI RM
COMPANY			
2023			
Financial assets			
Other investments	29,960,157	-	29,960,157
Trade and other receivables (excluding prepayments)	17,997,607	17,997,607	-
Cash and bank balances	11,034,794	11,034,794	-
	<u>58,992,558</u>	<u>29,032,401</u>	<u>29,960,157</u>
Financial liabilities			
Borrowings	5,959,935	5,959,935	-
Trade and other payables	690,399	690,399	-
	<u>6,650,334</u>	<u>6,650,334</u>	<u>-</u>
2022			
Financial assets			
Other investments	27,236,506	-	27,236,506
Trade and other receivables (excluding prepayments)	10,372,886	10,372,886	-
Cash and bank balances	19,712,632	19,712,632	-
	<u>57,322,024</u>	<u>30,085,518</u>	<u>27,236,506</u>
Financial liabilities			
Borrowings	5,549,162	5,549,162	-
Trade and other payables	2,383,726	2,383,726	-
	<u>7,932,888</u>	<u>7,932,888</u>	<u>-</u>

28.2 Financial risk management

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

28.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and 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.

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Credit risk (cont'd)

28.3.1 Trade receivables

The Group gives its customers credit terms that range between **30 to 60 days** (2022: 30 to 60 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, receivables balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amount as disclosed in Note 10 to the financial statements.

The ageing analysis of trade receivables of the Group as at the end of the reporting period is as follows:

	GROUP	
	2023	2022
	RM	RM
Not past due	12,294,046	22,588,034
1 to 60 days past due	11,198,687	8,469,647
61 to 120 days past due	1,181,445	835,310
More than 120 days past due	5,152,258	17,446,266
	17,532,390	26,751,223
Total	29,826,436	49,339,257

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

The Group has trade receivables amounting to **RM17,532,390** (2022: RM26,751,223) 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 **3 customers** (2022: 3 customers) representing **49%** (2022: 56%) of the total trade receivables.

Maximum exposure to credit risk

The Group regards the entire trade receivables to be low risk.

In managing the credit risk of the trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group measures the allowance for ECL of trade receivables and contract assets at an amount equal to lifetime ECL using a simplified approach. The ECL on trade receivables and contract assets are estimated based on past default experience and an analysis of the trade receivables' and contract assets' current financial position, adjusted for factors that are specific to the trade receivables and contract assets such as liquidation and bankruptcy. Forward looking information such as gross domestic products ("GDP") rate has been incorporated in determining the ECL.

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Credit risk (cont'd)

28.3.1 Trade receivables (cont'd)

Trade receivables are usually collectible and the Group does not have much historical bad debts written off or impairment of trade receivables. There are circumstances where the settlement of trade receivables will take longer than the credit terms given to the customers. The delay in settlement is mainly due to disagreement of pricing and quality issue or administrative matter. No ECL is provided during the financial year based on the above assessment as the impact to the Group's financial statements is not material.

28.3.2 Intercompany balances

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

The maximum exposure to credit risk is represented by the carrying amount as disclosed in Note 10 to the financial statements.

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of these advances.

28.3.3 Financial guarantees

The Company has issued financial guarantees to financial institutions for banking facilities granted to certain subsidiaries.

	COMPANY	
	2023	2022
	RM	RM
Corporate guarantees issued to financial institutions for banking facilities granted to certain subsidiaries		
- Limit	160,709,832	204,670,332
- Maximum exposure	<u>54,677,638</u>	<u>66,650,351</u>

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. The directors considered that the fair value of the financial guarantee contracts on initial recognition is insignificant.

28.4 Liquidity risk

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

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS (cont'd)

28.4 Liquidity risk (cont'd)

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

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than five years RM	More than five years RM
GROUP					
2023					
<i>Non-derivative financial liabilities</i>					
Borrowings	59,153,959	66,380,466	25,954,664	34,420,684	6,005,118
Lease liabilities	532,177	551,750	232,000	319,750	-
Trade and other payables (excluding accrual for land related cost)	55,835,760	55,835,760	54,883,681	952,079	-
Total undiscounted financial liabilities	115,521,896	122,767,976	81,070,345	35,692,513	6,005,118
2022					
<i>Non-derivative financial liabilities</i>					
Borrowings	68,599,201	76,948,294	32,592,646	30,887,124	13,468,524
Lease liabilities	843,540	874,610	677,610	197,000	-
Trade and other payables (excluding accrual for land related cost)	57,043,372	57,043,372	55,645,054	1,398,318	-
Total undiscounted financial liabilities	126,486,113	134,866,276	88,915,310	32,482,442	13,468,524
COMPANY					
2023					
<i>Non-derivative financial liabilities</i>					
Borrowings	5,959,935	5,959,935	5,959,935	-	-
Trade and other payables	690,399	690,399	690,399	-	-
* Financial guarantees	-	54,677,638	54,677,638	-	-
Total undiscounted financial liabilities	6,650,334	61,327,972	61,327,972	-	-
2022					
<i>Non-derivative financial liabilities</i>					
Borrowings	5,549,162	5,549,162	5,549,162	-	-
Trade and other payables	2,383,726	2,383,726	2,383,726	-	-
* Financial guarantees	-	66,650,351	66,650,351	-	-
Total undiscounted financial liabilities	7,932,888	74,583,239	74,583,239	-	-

* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS (cont'd)

28.5 Interest rate risk

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

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

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Fixed rate instruments				
Financial assets	25,606,042	10,559,993	5,000,000	-
Financial liabilities	<u>17,195,871</u>	<u>24,741,568</u>	<u>-</u>	<u>-</u>
Floating rate instruments				
Financial assets	-	-	17,467,123	10,036,200
Financial liabilities	<u>47,675,991</u>	<u>43,857,633</u>	<u>6,573,466</u>	<u>7,661,382</u>

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at FVTPL, 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 impacted the Group's and the Company's profit/(loss) before tax and equity by the amount shown below, and a 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 remain constant.

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Decrease in profit before tax	119,190	-	27,234	5,937
Increase in loss before tax	<u>-</u>	<u>109,644</u>	<u>-</u>	<u>-</u>
Decrease in equity	<u>90,584</u>	<u>83,329</u>	<u>20,698</u>	<u>4,512</u>

28.6 Foreign currency risk

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

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

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS (cont'd)

28.6 Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit/(loss) before tax and equity. A 10% strengthening of RM against the following currencies at the end of the reporting period would have impacted on profit/(loss) before tax and equity 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	
	2023 RM	2022 RM
USD	2,678,492	3,346,007
KHR	214,218	209,084
Decrease in profit before tax	<u>2,892,710</u>	<u>-</u>
Increase in loss before tax	<u>-</u>	<u>3,555,091</u>
Decrease in equity	<u>2,198,460</u>	<u>2,701,869</u>

28.7 Equity price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial assets designated at FVTPL and FVOCI will fluctuate because of changes in market prices. Equity price risk arises from the Group's and the Company's other investments which are the equity securities quoted in Malaysia and short term funds with licensed financial institutions.

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Company. While for the short-term funds with licensed financial institutions, the management of the Group monitors the short-term funds and it can be redeemed at any time upon notice given to the financial institutions.

Sensitivity analysis for equity price risk

A 5% increase in share prices of the quoted equity securities at the end of the reporting period, with all other variables held constant, would have impacted on the Group's and the Company's equity by the amount shown below, and a decrease would have an equal but opposite effect, arising as a result of higher/lower fair value gain on investment in quoted equity investments.

	GROUP AND COMPANY	
	2023 RM	2022 RM
Increase in equity	<u>1,498,008</u>	<u>1,361,825</u>

A 1% increase in prices of the short term funds with licensed financial institutions at the end of the reporting period, with all other variables held constant, would have impacted on the Group's profit/(loss) before tax and equity by the amount shown below, and a decrease would have an equal but opposite effect, arising as a result of higher/lower fair value gain on short term funds.

Notes to The Financial Statements (Cont'd)

31 December 2023

28. FINANCIAL INSTRUMENTS (cont'd)

28.7 Equity price risk (cont'd)

	GROUP AND COMPANY	
	2023	2022
	RM	RM
Increase in profit before tax and increase in equity	99,685	-
Decrease in loss before tax and increase in equity	-	94,287
	<u> </u>	<u> </u>

29. FAIR VALUE MEASUREMENT

The carrying amounts of the Group's and the Company's financial assets (other than other investments) and financial liabilities 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 amount of the non-current portion of finance lease liabilities is reasonable approximation of fair values due to the insignificant impact of discounting.

29.1 Financial assets that are measured at fair value on a recurring basis

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total	Carrying
	RM	RM	RM	fair value	amount
				RM	RM
GROUP					
2023					
Financial asset					
Other investments	39,928,631	-	-	39,928,631	39,928,631
2022					
Financial asset					
Other investments	36,665,255	-	-	36,665,255	36,665,255
COMPANY					
2023					
Financial asset					
Other investments	29,960,157	-	-	29,960,157	29,960,157
2022					
Financial asset					
Other investments	27,236,506	-	-	27,236,506	27,236,506

Notes to The Financial Statements (Cont'd)

31 December 2023

29. FAIR VALUE MEASUREMENT (cont'd)

29.1 Financial assets that are measured at fair value on a recurring basis (cont'd)

Level 1 fair value

Level 1 fair value of the other investments is derived by reference to their quoted market prices in active markets at the end of reporting period.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 and 3 during the financial year.

29.2 Non-financial assets that are measured at fair value

The directors determine the recurring fair values of the Group's investment properties based on the followings:

- (i) With reference to valuation reports by external independent professional valuers using the market comparison method, being comparison of current price in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, size, present market trends and other differences; and
- (ii) Current market values with reference to the selling prices of similar properties.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Total	Carrying
	RM	RM	RM	fair value	amount
				RM	RM
GROUP					
2023					
Investment properties	-	-	6,120,000	6,120,000	5,430,894

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

Level 3 fair value of investment properties have been generally derived using the market comparison approach. Selling price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 and 3 during the financial year.

Notes to The Financial Statements (Cont'd)

31 December 2023

30. CAPITAL MANAGEMENT

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

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

The Group and the Company consider its total equity and total loans and borrowings to be the key components of its capital structure and monitor capital using a debt-to-equity ratio, which is calculated as total borrowings divided by total equity as follows:

	GROUP		COMPANY	
	2023 RM	2022 RM	2023 RM	2022 RM
Total borrowings	59,153,959	68,599,201	5,959,935	5,549,162
Less: Cash and bank balances	(72,209,764)	(70,353,265)	(11,034,794)	(19,712,632)
Net cash	(13,055,805)	(1,754,064)	(5,074,859)	(14,163,470)
Total equity	288,322,636	283,971,622	284,834,597	276,182,672
Gearing ratio	N/A⁽ⁱ⁾	N/A ⁽ⁱ⁾	N/A⁽ⁱ⁾	N/A ⁽ⁱ⁾

⁽ⁱ⁾ N/A – Not applicable as net cash position

31. MATERIAL LITIGATION

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

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

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

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

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

Notes to The Financial Statements (Cont'd)

31 December 2023

31. MATERIAL LITIGATION (cont'd)

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 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 said appeal is dismissed by the Court of Appeal on 15 March 2023. Subsequent to the dismissal, 2nd to 4th defendants have filed a notice of motion at the Federal Court for leave to appeal against the said Court of Appeal's decision. On 3 August 2023, the Federal Court dismissed the defendants' notice of motion for leave to appeal with costs of RM30,000 to be paid to the Company.

32. SIGNIFICANT EVENT

On 9 October 2023, the Company proposed to undertake a reduction of the issued share capital of the Company pursuant to Section 117 of the Companies Act 2016 ("Proposed Capital Reduction") via the cancellation of the Company's paid-up share capital, which is substantially unrepresented by available assets of RM50,000,000.

On 6 February 2024, the Proposed Capital Reduction has been completed and the issued share capital of the Company has been reduced from RM312,275,332 to RM262,275,332.

List of Properties

Details of properties of the Group are as follows:

Location	Description	Land Area (M ²)	Built-up Area (M ²)	Tenure	Date of Acquisition/ Revaluation* (Age of Building)	Carrying Amount @ 2023 (RM)
Lot 50 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	9,308	7,591	Leasehold period for 60 years expire on 2042	2001* 41	4,587,271
Plot 36, Jalan PKNK Utama Kawasan Perusahaan Sungai Petani 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	7,426	4,121	Leasehold period for 99 years expire on 2091	2008* 28	6,416,483
Plot 37, Jalan PKNK Utama Kawasan Perusahaan Sungai Petani 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	6,475	2,543	Leasehold period for 99 years expire on 2091	2008* 28	2,722,469
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* 19	2,600,051
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* 19	10,585,110
Lot 38 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	12,141	9,637	Leasehold period for 99 years expire on 2082	2011* 33	5,607,726
Lot 21 Bakar Arang Industrial Estate 08000 Sungai Petani KEDAH	Leasehold Land Factory Building	693	398	Leasehold period for 98 years expire on 2078	2011* 39	259,290
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 13	182,924
HSD36462 Lot No. 3901 Mukim of Tanjong Minyak Melaka Tengah 75250 Melaka MELAKA	Freehold Land Factory Building	6,751	4,381	NA	2014 18	4,320,064
No 154 Jalan 4 Kawasan Perindustrian Olak Lempit 42700 Banting SELANGOR	Leasehold Land	4,013	NA	Leasehold period for 99 years expire in 2087	2021 NA	4,015,534
A-27-11, D15, Jalan PJU 1A/46, 47301 Petaling Jaya, SELANGOR	Leasehold Serviced Residence	NA	1,614	Leasehold period for 99 years expire in 2097	2023 1	888,350
A-27-12, D15, Jalan PJU 1A/46, 47301 Petaling Jaya, SELANGOR	Leasehold Serviced Residence	NA	1,614	Leasehold period for 99 years expire in 2097	2023 1	888,350

List of Properties (Cont'd)

Details of properties of the Group are as follows:

Location	Description	Land Area (M ²)	Built-up Area (M ²)	Tenure	Date of Acquisition/ Revaluation* (Age of Building)	Carrying Amount @ 2023 (RM)
A-27-13, D15, Jalan PJU 1A/46, 47301 Petaling Jaya, SELANGOR	Leasehold Serviced Residence	NA	1,614	Leasehold period for 99 years expire in 2097	2023 1	888,350
A-27-13A, D15, Jalan PJU 1A/46, 47301 Petaling Jaya, SELANGOR	Leasehold Serviced Residence	NA	1,657	Leasehold period for 99 years expire in 2097	2023 1	911,960
C-27-09, D15, Jalan PJU 1A/46, 47301 Petaling Jaya, SELANGOR	Leasehold Serviced Residence	NA	1,173	Leasehold period for 99 years expire in 2097	2023 1	741,952
AG-G-16, Alwaqf @ Tunjong Garden Boulevard, Jalan Kuala Krai, 16010 Kota Bahru, KELANTAN	Leasehold Shoplot	NA	1,400	Leasehold period for 99 years expire in 2114	2023 8	1,111,932

Analysis of Shareholdings

As at 18 April 2024

The total number of issued shares : 3,022,674,412 Ordinary Shares
 Voting Rights : On show of hands - one vote for every shareholder
 On poll - One vote for every ordinary share held

ANALYSIS OF SHAREHOLDINGS AS AT 18 APRIL 2024

Size of shareholdings	No. of shareholders	% of total shareholders	No. of shares	% of total issued capital
Less than 100	82	0.79	2,841	0.00
100 to 1,000	635	6.13	316,301	0.01
1,001 to 10,000	2,702	26.07	18,875,974	0.63
10,001 to 100,000	5,033	48.56	223,938,602	7.41
100,001 to less than 5% of issued shares	1,911	18.44	2,590,790,694	85.71
5% and above of issued shares	1	0.01	188,750,000	6.24
Total	10,364	100.00	3,022,674,412	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 18 APRIL 2024

Name	Number of Shares Held			
	Direct	%	Deemed	%
Chuah Chong Ewe	293,545,000	9.71	163,023,551 [®]	5.39
Phuah Cheng Peng	245,614,500	8.13	500,000 [#]	0.02

[®] Deemed interested by virtue of his shareholdings of more than 20% equity interest in the Triumphant View Sdn Bhd pursuant to Section 8 of the Companies Act, 2016. And deemed interested in Resolute Accomplishment Sdn Bhd ("RASB") by virtue of his shareholdings of more than 20% equity interest in Gosave Sdn Bhd, the holdings Company of RASB pursuant to Section 8 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

DIRECTORS' SHAREHOLDINGS AS AT 18 APRIL 2024

Name	Number of Shares Held			
	Direct	%	Deemed	%
Chuah Chong Ewe	293,545,000	9.71	163,023,551 [®]	5.39
Phuah Cheng Peng	245,614,500	8.13	500,000 [#]	0.02
Wee Song He, Wilson	66,636,220	2.20	-	-
Liang Wooi Gee	46,272,857	1.53	-	-
Chuah Chong San	43,200,000	1.43	-	-
Ahmad Kamal Bin S. Awab	-	-	-	-
Lee Lean Suan	-	-	-	-
Nah Ren Ren	-	-	-	-

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

[®] Deemed interested by virtue of his shareholdings of more than 20% equity interest in the Triumphant View Sdn Bhd pursuant to Section 8 of the Companies Act, 2016. And deemed interested in Resolute Accomplishment Sdn Bhd ("RASB") by virtue of his shareholdings of more than 20% equity interest in Gosave Sdn Bhd, the holdings Company of RASB pursuant to Section 8 of the Companies Act, 2016.

Analysis of Shareholdings (Cont'd)

As at 18 April 2024

THIRTY LARGEST SHAREHOLDERS AS AT 18 APRIL 2024

NO.	NAME	HOLDINGS	%
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUAH CHENG PENG	188,750,000	6.24
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT- AMBANK (M) BERHAD FOR CHUAH CHONG EWE (SMART)	136,000,000	4.50
3	CHONG FU SEONG	116,000,000	3.84
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUAH CHONG EWE	103,950,000	3.44
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TRIUMPHANT VIEW SDN BHD	97,550,000	3.23
6	RESOLUTE ACCOMPLISHMENT SDN BHD.	65,473,551	2.17
7	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEE VOON HON	63,913,851	2.11
8	PHUAH CHENG PENG	56,864,500	1.88
9	CHUAH CHONG EWE	53,595,000	1.77
10	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WEE SONG HE WILSON	52,615,000	1.74
11	QUECK HAN TIONG	52,500,000	1.73
12	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG WENG YEY	50,300,000	1.66
13	WONG SING YI	50,117,300	1.66
14	LEE YEE WAN	50,000,000	1.65
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIERRA BONUS SDN BHD	49,000,000	1.62
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIANG WOOL GEE	45,250,000	1.50
17	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR CENTRAL KEDAH PLYWOOD FACTORY SENDIRIAN BERHAD (8793-1501)	44,927,800	1.49
18	LEE HAM KONG	44,520,000	1.47
19	CHUAH CHONG SAN	43,200,000	1.43
20	TEOH TIAN WEN	35,602,500	1.18
21	HARMONY LANDMARK SDN BHD	26,000,000	0.86
22	GLOBAL FRANK SDN BHD	25,077,714	0.83
23	CHONG LEK ENGINEERING WORKS SHD BHD	22,000,000	0.73
24	BEH CHENG SIONG	21,155,200	0.70
25	ONG CHIN KANG	16,550,000	0.55
26	ONG PEI CHENG	16,500,000	0.55
27	TAN LAY PENG	16,500,000	0.55
28	AW YEN CHIN	16,399,100	0.54
29	CHEANG SIEW CHAN	16,000,000	0.53
30	LIM SEE MENG	16,000,000	0.53
TOTAL		1,592,311,516	52.68

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting (“AGM”) of the Company will be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman, Malaysia on Thursday, 30 May 2024 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2023 and the Reports of the Directors and Auditors thereon. **Please refer to the Explanatory Notes**
2. To approve the payment of Directors’ fees and Directors’ benefits amounting to RM500,000.00 for the financial year ending 31 December 2024. **Ordinary Resolution 1**
3. To re-elect the following Directors who retire pursuant to the Company’s Constitution:-
 - (a) Mr Liang Wooi Gee (Article 95) **Ordinary Resolution 2**
 - (b) Encik Ahmad Kamal Bin S. Awab (Article 95) **Ordinary Resolution 3**
 - (c) Mr Nah Ren Ren (Article 102) **Ordinary Resolution 4**
4. To re-appoint Messrs. Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business :

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

5. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 AND WAIVER OF PRE-EMPTIVE RIGHTS** **Ordinary Resolution 6**

“THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 (the “Act”) and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being.

THAT pursuant to Section 85(1) of the Act be read together with Article 57 of the Company’s Constitution, that approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares arising from any issuance of new shares pursuant to this mandate.

AND THAT the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad (“Bursa Securities”) 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 or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.”

Notice of Annual General Meeting (Cont'd)

6. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

Ordinary Resolution 7

"THAT approval be and is hereby given to the Company and/or subsidiary companies (the "Group") to enter into all arrangements and/or transactions as specified in Section 2.4 of the Circular to Shareholders of the Company dated 30 April 2024 (the "Circular"), involving the interests of directors, major shareholders or persons connected with such directors or major shareholders of the Company ("Related Parties") as detailed in Section 2.4 of the Circular, provided that such arrangements and/or transactions are:-

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for day-to-day operations; and
- (iii) carried out in the ordinary course of business or the normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not to be detriment of the minority shareholders of the Company.

(the "Shareholders' Mandate")

THAT the Shareholders' Mandate shall take effect from this resolution and shall continue to be in force until:-

- (a) the conclusion of the next annual general meeting of the Company following the general meeting at which such Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next annual general meeting after the date it 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
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

And THAT the Directors of the Company be authorised to complete and do all such acts and things (including all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

7. **AUTHORITY TO PURCHASE ITS OWN SHARES**

Ordinary Resolution 8

"That subject to the Companies Act 2016, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

- i. The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;
- ii. Paragraph 12.10(1) of the Listing Requirements stipulates that the proposed purchase by a listed company of its own shares must be made wholly out of its retained profits based on the latest Audited Financial Statements of the Company and the latest management accounts (where applicable) of the listed company. Therefore, the maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the amount stated in the retained profits of the Company. Based on the latest audited financial statements of the Company, the accumulated loss of the Company are as follows, there is no retained profits recorded as at financial year ended 31 December 2023,

	Accumulated Loss (RM)
Audited financial statement as at 31 December 2023	25,065,123

Notice of Annual General Meeting (Cont'd)

Ordinary Resolution 8

7. **AUTHORITY TO PURCHASE ITS OWN SHARES (cont'd)**

"That subject to the Companies Act 2016, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:- (cont'd)

The Proposed Share Buy-Back will be funded by internally generated funds and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on, amongst others, the availability of internally generated funds, actual number of the Company Shares to be purchased and other relevant factors. The actual number of the Company Shares to be purchased and/or held, and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock markets as well as the retained profits and financial resources available to the Company. In the event that the Proposed Share Buy-Back is to be partly financed by external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment will not have a material effect on the cash flow of the Group.

- iii. The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;
- iv. Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-
 - to cancel the shares so purchased; or
 - to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
 - retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluation, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Act, provisions of the Company's Constitution, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals.

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board,

WONG YEE LIN (MIA15898)
SSM Practicing No: 201908001793

HING POE PYNG (MAICSA 7053526)
SSM Practicing No: 202008001322
Joint Company Secretaries

Date: 30 April 2024

Notice of Annual General Meeting (Cont'd)

Notes:

1. A member entitled to attend and vote is entitled to appoint at least one (1) proxy but not more than two (2) proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportions of shareholdings to be represented by each proxy are specified.
3. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
4. The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office, 51-8-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than 24 hours before the time for holding the Meeting or any adjournments thereof PROVIDED that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
6. 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 Article 69(2) of the Company's Constitution and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 20.05.2024 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.
7. All resolutions as set out in this notice of 37th Annual General Meeting are to be voted by poll.

Explanatory Note on Ordinary Business

Item 1 of the Agenda

To receive the Audited Financial Statements for the financial year ended 31 December 2023 and 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

The proposed 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 2024 and assuming that all Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees and benefits to meet the shortfall.

Explanatory Note on Special Business

Ordinary Resolution 6 – Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-emptive Rights

The proposed Ordinary Resolution 6 is for the purpose of granting a renewed general mandate (the "Mandate") and waiver of pre-emptive rights under Section 85(1) of the Act read together with Article 57 of the Company's Constitution, if passed, will give authority to the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier and will exclude the shareholders' pre-emptive rights over all new shares to be issued under the Mandate.

Notice of Annual General Meeting (Cont'd)

Explanatory Note on Special Business (cont'd)

Ordinary Resolution 6 – Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016 and Waiver of Pre-emptive Rights (cont'd)

The Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

As at the date of this Notice, there were no new shares issued pursuant to the mandate granted to the Directors at the 36th AGM held on 29 May 2023 and which will lapse at the conclusion of the 37th AGM.

Pursuant to Section 85(1) of the Act be read together with Article 57 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities.

<u>Section 85(1) of the Act</u>	<u>Article 57 of the Company's Constitution</u>
Pre-Emptive Rights to New Shares	Issue of New Shares to Members
Subject to the constitution, where a company issue shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.	Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities of whatever kind shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article.

Ordinary Resolution 7 – Proposed Renewal of Shareholders' Mandate ("Proposed Shareholders' Mandate")

The proposed Ordinary Resolution 7, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions under the Proposed Shareholders' Mandate pursuant to the provisions of the Main Market Listing Requirements of Bursa Securities without the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The Proposed Shareholders' Mandate is subject to renewal on an annual basis. Please refer to Part A of the Circular and Statement to Shareholders dated 30 April 2024 for further information.

Ordinary Resolution 8 – Authority to Purchase its own Shares

The proposed Resolution 8, if passed, will give the Directors of the Company authority to purchase its own shares up to ten per centum (10%) of the total number of issued shares of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next AGM.

PERSONAL DATA POLICY

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, and any adjournment thereof.

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 7 as stated in the Notice of Annual General Meeting of the Company for the details.

Proxy Form



LUSTER INDUSTRIES BHD. 198601006973 (156148-P)
(Incorporated in Malaysia)

No. of Shares held	CDS Account No.

	Shareholder	Proxy 1	Proxy 2
Name			
NRIC/Passport/Company No.			
Phone No.			
Email Address			
Address			
Proportion of shareholdings (%)			

Or failing him, the Chairman of the Meeting as * my / our proxy to vote for * me / us on * my / our behalf at the 37th Annual General Meeting of the Company to be held at Room The Lounge, Ground Floor, Park Avenue Hotel, E-1, Jalan Indah Dua, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman, Malaysia on Thursday, 30 May 2024 at 10.00 a.m. and any adjournment thereof.

NO.	RESOLUTIONS	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees and Directors' benefits amounting to RM500,000.00 for the financial year ending 31 December 2024.		
Ordinary Resolution 2	To re-elect Mr. Liang Wooi Gee who retires pursuant to Article 95 of the Company's Constitution.		
Ordinary Resolution 3	To re-elect Encik Ahmad Kamal Bin S. Awab who retires pursuant to Article 95 of the Company's Constitution.		
Ordinary Resolution 4	To re-elect Mr. Nah Ren Ren who retires pursuant to Article 102 of the Company's Constitution.		
Ordinary Resolution 5	To re-appoint Messrs. Grant Thornton Malaysia PLT 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 6	To authorise Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016 Waiver of Pre-emptive Rights		
Ordinary Resolution 7	To approve the Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 8	To approve the authority to purchase company's own shares		

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.

Signed this day of, 2024.

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

Notes:

- A member entitled to attend and vote is entitled to appoint at least one (1) proxy but not more than two (2) proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless the proportions of shareholdings to be represented by each proxy are specified.
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- The instrument appointing the proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office, 51-8-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang not less than 24 hours before the time for holding the Meeting or any adjournments thereof PROVIDED that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the Meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
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- All resolutions as set out in this notice of 37th Annual General Meeting are to be voted by poll.

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Please fold here to seal

Stamp


To,
The Company Secretaries
LUSTER INDUSTRIES BHD.
198601006973 (156148-P)
51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang


Please fold here to seal

LUSTER INDUSTRIES BHD

198601006973 (156148-P)

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

 : 604-441 7980

 : 604-442 8805

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