

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Part A - Explanatory Notes Pursuant To MFRS 134

#### 1. Basis of preparation

The condensed consolidated interim financial statements (“Report”) are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the financial year ended 31 December 2014.

#### 2. Significant accounting policies

##### Application of MFRS 1

The accounting policies and methods of computation adopted by Luster Industries Bhd and its subsidiaries in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2014, except for the adoption of the following Financial Reporting Standards (“FRS”), amendments to FRSs and Issues Committee Interpretations (“IC Interpretations”).

##### Effective for annual periods beginning on or after 1 January 2016

MFRS 14 *Regulatory Deferral Accounts*

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

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

Amendments to MFRS 101 *Disclosure Initiative*

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

Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*

Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

Amendments to MFRSs *Annual Improvements to MFRSs 2012–2014 Cycle*

##### Effective for annual periods beginning on or after 1 January 2017

MFRS 15 *Revenue from Contracts with Customers*

**Effective for annual periods beginning on or after 1 January 2018**

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

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

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

**MFRS 15 *Revenue from Contracts with Customers***

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

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

**3. Auditors' qualification of preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2014 was not qualified.

**4. Seasonality or cyclical factors**

The operations of the Group are subjected to seasonal orders throughout the financial year.

**5. Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

**6. Changes in accounting estimates**

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the current quarter and financial period to date results.

**7. Changes in debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review and financial year to date other than the followings:

- a. the issuance of 163,900 new ordinary shares of RM0.10 each pursuant to the conversion of Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) during the financial year to date;
- b. the issuance of 157,033,000 new ordinary shares of RM0.10 each pursuant to the private placement during the current quarter under review and the financial year to date; and
- c. the issuance of 390,000 new ordinary shares of RM0.10 each pursuant to the Employees Shares Option Scheme (“ESOS”) during the current quarter under review and financial year to date.

## 8. Dividend paid

No dividend was paid during the current quarter under review.

## 9. Segmental information

Segmental information is presented in respect of the Group’s business segments.

	<b>6 months ended 30.06.15 (RM’000)</b>	<b>6 months ended 30.06.14 (RM’000)</b>
<b>Segment Revenue</b>		
Contract manufacturing	60,301	53,004
Others	5,411	1,698
Total revenue including inter-segment sales	<u>65,712</u>	<u>54,702</u>
Elimination of inter-segment sales	<u>(5,411)</u>	<u>(1,698)</u>
Total revenue to external customers	<u><u>60,301</u></u>	<u><u>53,004</u></u>
	<b>6 months ended 30.06.15 (RM’000)</b>	<b>6 months ended 30.06.14 (RM’000)</b>
<b>Segment Results</b>		
Contract manufacturing	(564)	(236)
Others	2,923	(407)
Total results	<u>2,359</u>	<u>(643)</u>
Elimination	<u>(4,001)</u>	<u>-</u>
Loss before taxation	<u>(1,642)</u>	<u>(643)</u>
Taxation	<u>(426)</u>	<u>(350)</u>
Loss for the year	<u><u>(2,068)</u></u>	<u><u>(993)</u></u>

**10. Revaluation of property, plant and equipment**

There were no changes in the valuation of property, plant and equipment since the last audited financial statements for the financial year ended 31 December 2014.

**11. Material subsequent events**

There were no material events subsequent to the quarter under review.

**12. Changes in Group's composition**

There were no changes in the composition of the Group for the current quarter under review.

**13. Changes in contingent liabilities and contingent assets**

There were no contingent liabilities and assets as at the date of this Report.

**Part B - Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad**

**1. Review of performance**

	<b>Individual Quarter 3 Months Ended</b>		<b>Cumulative Quarter 6 Months Ended</b>	
	<b>(Unaudited) 30.06.15 RM'000</b>	<b>(Unaudited) 30.06.14 RM'000</b>	<b>(Unaudited) 30.06.15 RM'000</b>	<b>(Unaudited) 30.06.14 RM'000</b>
Revenue	30,246	26,717	60,301	53,004
Profit/(loss) before taxation	339	61	(1,642)	(643)

**Comparison with Corresponding Quarter in Previous Year**

The Group revenue has increased from RM26.7 million in previous year corresponding quarter to RM30.2 million in current quarter under review and this was mainly due to the increase in fabrication of new moulds to a customer in electronic & electrical industry.

The Group has recorded a profit before taxation (“PBT”) of RM0.3 million in current quarter under review as compared to PBT of RM0.1 million in previous year corresponding quarter. This is mainly due to higher sales achieved in current quarter under review.

**Comparison with Corresponding Financial Period To Date in Previous Year**

The Group has recorded a revenue and loss before taxation (“LBT”) of RM53.0 million and RM0.6 million respectively in previous year corresponding period as compared to revenue and LBT of RM60.3 million and RM1.6 million in current reporting period. This was mainly due to the development costs of the new models for automotive and electronic & electrical sectors in the first quarter of the year.

**2. Variation of results against preceding quarter**

The Group has recorded a revenue and LBT of RM30.1 million and RM2.0 million respectively in previous quarter as compared to revenue and PBT of RM30.3 million and RM0.3 million in current quarter under review. This was mainly due to the development costs of new models in the previous quarter abovementioned.

### 3. **Prospects**

In 2015, the management continues to take steps in differentiating the Group from its competitors in order to command a stronger and leading position in the market. The Group will continue its strategy to penetrate into producing plastic parts and components for the automotive and medical industry.

Further to the above, the Group will also focus to move itself to be an “Original Design Manufacturer” (“ODM”). The Group has successfully co-developed a product with a hygiene products customer. In order to become a well-known ODM, corporate branding is important. The Group is embarking on various activities to promote a new corporate brand. The Group also recognises that human capital is an important asset in order to be a successful ODM. The Group has various plans to develop and train its human capital to learn and apply new ideas, competencies, skills, behaviors and attitudes. Research & development activities are also equally important. With this, the Group will be able to create added value to our customers so as to position us on a different platform.

As the fluctuation of Ringgit Malaysia against the USD is expected to create challenges to the business, the Group is taking steps by hedging the position via its export and import position within the Group.

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

In light of the above developments, the Board is cautiously optimistic in delivering a positive performance in financial year 2015.

### 4. **Variance of profit forecast**

No profit forecast was published for the current quarter and financial period to date.

### 5. **Taxation**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>30.06.15</b>	<b>30.06.14</b>	<b>30.06.15</b>	<b>30.06.14</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax	(288)	(133)	(426)	(350)

The Group’s effective tax rates differ from statutory tax rate mainly because:

- Certain income and expenses which are not taxable and allowable; and
- Utilization of unabsorbed capital allowances by certain subsidiaries.

6. **Profit/(Loss) before taxation**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>30.06.15</b>	<b>30.06.14</b>	<b>30.06.15</b>	<b>30.06.14</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loss before taxation is arrived at after charging/ (crediting):				
Depreciation	1,345	1,433	2,687	2,736
Doubtful debts recovered	-	(105)	-	(204)
Gain on disposal of property, plant and equipment	(91)	-	(91)	(17)
Interest expense	60	64	126	133
Interest income	(124)	(146)	(198)	(300)
Realised loss/(gain) on foreign Exchange	168	122	(81)	92
Rental income	(44)	(13)	(101)	(26)
Unrealised loss/(gain) on foreign exchange	6	32	(174)	78

Other than the above items, there are no impairment of receivables, no impairment of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain or loss on derivatives as well as other exceptional items incurred for the current quarter under review.

7. **Status of corporate proposals**

Save as disclosed below, there were no corporate proposals announced or not completed as at the date of this report:

- a. The Board of Directors had on 30 April 2015 announced that the Company has entered into a Sale of Shares Agreement ("SSA") with Opal Deluxe Limited ("Opal") for the acquisition of the 600 ordinary shares of USD2,000 each, representing 60% equity interest in Pan Cambodian Lottery Corporation Limited ("PCLCL") for a total cash consideration of USD4,200,000.00 only.
- b. The Board of Directors had on 2 June 2015 announced that Bursa Securities, vide its letter dated 1 June 2015 (which was received on 2 June 2015), has resolved to grant Luster a further extension of time until 19 June 2015 to implement the Private Placement.

- c. The Board of Directors had on 16 June 2015 fixed the issue price for the second tranche of the placement of up to 38,033,000 Placement Shares at RM0.10 per Placement Share (“Price-fixing Date”), being the par value of Luster Shares. The issue price represents a premium of RM0.0133 or 15.34% to the five (5)-day volume weighted average market price of the Luster Shares up to and including 15 June 2015, being the last market day immediately preceding the Price-fixing Date of RM0.0867 per Luster Share.
- d. On 19 June 2015, the Board of Directors had announced that the Private Placement has been completed on the even date pursuant to the listing of the remaining 38,033,000 new ordinary shares of RM0.10 each in Luster.

## 8. Borrowings and debts securities

The Group’s borrowings as at end of the current period are as follows:

	<b>RM’000</b>
Non-current	1,012
Current	2,934
	<u>3,946</u>

The above borrowings are secured and denominated in Ringgit Malaysia.

## 9. Material litigation

There were no pending or threatened litigations or any facts likely to give rise to the proceedings which might materially and adversely affect the business.

## 10. Proposed dividend

No dividend was proposed for the current quarter under review.

## 11. Earnings per share

The basic earnings per share for the current quarter and cumulative period to date are computed as below:

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>30.06.15</b>	<b>30.06.14</b>	<b>30.06.15</b>	<b>30.06.14</b>
Loss attributable to owners of the parent (RM’000)	51	(245)	(2,119)	(789)



	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>30.06.15</b>	<b>30.06.14</b>	<b>30.06.15</b>	<b>30.06.14</b>
Adjusted number of issued ordinary shares of RM0.10 each ('000)	1,574,322	1,386,931	1,574,322	1,386,931
Effect of shares issued pursuant to private placement ('000)	30,582	-	30,582	-
Effect of shares issued pursuant to ICULS conversion ('000)	156	4,481	156	4,481
Effect of shares issued pursuant to ESOS ('000)	95	32	95	32
Weighted average number of issued ordinary shares of RM0.10 each ('000)	<u>1,605,155</u>	<u>1,391,444</u>	<u>1,605,155</u>	<u>1,391,444</u>
Basic loss per share (sen)	<u>-</u>	<u>(0.02)</u>	<u>(0.13)</u>	<u>(0.06)</u>

Based on the 30-days weighted average market price of share of Luster Industries Bhd. up to 30 June 2015, the Irredeemable Convertible Unsecured Loan Stocks ("ICULS"), ESOS options granted to employees and warrants issued are anti-dilutive. Therefore, there is no calculation of diluted earnings per share for the current period based on the assumption of non-exercise of the above securities.

## 12. Realised and unrealised accumulated losses

	<b>30.06.15</b>	<b>31.12.14</b>
	<b>RM'000</b>	<b>RM'000</b>
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(10,291)	(7,254)
- Unrealised	<u>(1,278)</u>	<u>(917)</u>
	(11,569)	(8,171)
Less: Consolidation adjustments	<u>(9,285)</u>	<u>(10,615)</u>
Total accumulated losses of the Group	<u>(20,854)</u>	<u>(18,786)</u>

### BY ORDER OF THE BOARD

**Liang Wooi Gee**

Deputy Managing Director

**Dated this 20th day of August 2015**