

LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

	Unaudited as at 30-Sep-15 RM'000	Audited as at 31-Dec-14 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	72,215	74,989
Goodwill on consolidation	35,546	20,729
	<u>107,761</u>	<u>95,718</u>
Current assets		
Inventories	14,030	13,245
Trade receivables	25,283	19,863
Other receivables, deposits and prepayments	11,667	10,245
Tax refundable	852	793
Fixed deposits with a licensed bank	6,234	6,302
Cash and bank balances	20,670	22,767
	<u>78,736</u>	<u>73,215</u>
TOTAL ASSETS	<u>186,497</u>	<u>168,933</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	173,191	157,432
Share premium	951	942
Discount on shares	(22,618)	(22,618)
Warrant reserve	22,618	22,618
Other reserves	10,079	10,675
ICULS	473	490
Accumulated losses	(22,315)	(18,786)
	<u>162,379</u>	<u>150,753</u>
Non-controlling interests	856	-
Total equity	<u>163,235</u>	<u>150,753</u>
Non-current liabilities		
Borrowings	799	1,544
Deferred tax liabilities	1,441	1,452
	<u>2,240</u>	<u>2,996</u>
Current liabilities		
Trade payables	13,108	7,096
Other payables and accruals	4,954	4,986
Borrowings	2,776	2,843
Provision for taxation	184	259
	<u>21,022</u>	<u>15,184</u>
Total liabilities	<u>23,262</u>	<u>18,180</u>
TOTAL EQUITY AND LIABILITIES	<u>186,497</u>	<u>168,933</u>
Net assets per share (RM)	0.09	0.10

The notes set out on page 6 to 14 form an integral part of and should be read in conjunction with this interim financial report.

LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	30-Sep-15 RM'000	30-Sep-14 RM'000	30-Sep-15 RM'000	30-Sep-14 RM'000
Revenue	27,676	25,011	87,977	78,015
Cost of sales	<u>(24,418)</u>	<u>(22,129)</u>	<u>(79,142)</u>	<u>(69,198)</u>
Gross profit	3,258	2,882	8,835	8,817
Other income	1,046	3,928	2,205	4,591
Administration expenses	(4,329)	(3,216)	(11,839)	(9,949)
Distribution expenses	<u>(415)</u>	<u>(271)</u>	<u>(1,157)</u>	<u>(646)</u>
Results from operating activities	(440)	3,323	(1,956)	2,813
Finance costs	<u>(55)</u>	<u>(56)</u>	<u>(181)</u>	<u>(189)</u>
(Loss)/profit before taxation	(495)	3,267	(2,137)	2,624
Taxation	<u>(921)</u>	<u>(711)</u>	<u>(1,347)</u>	<u>(1,061)</u>
(Loss)/profit for the period	(1,416)	2,556	(3,484)	1,563
Other comprehensive (loss)/income:				
Exchange translation reserve	<u>(800)</u>	-	<u>(800)</u>	-
Total comprehensive (loss)/income for the period	(2,216)	2,556	(4,284)	1,563
(Loss)/profit for the year attributable to:				
Owners of the parent	(1,461)	2,303	(3,529)	1,514
Non-controlling interests	<u>45</u>	<u>253</u>	<u>45</u>	<u>49</u>
	(1,416)	2,556	(3,484)	1,563
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(2,261)	2,303	(4,329)	1,514
Non-controlling interests	<u>45</u>	<u>253</u>	<u>45</u>	<u>49</u>
	(2,216)	2,556	(4,284)	1,563
Basic (loss)/earnings per ordinary shares (sen)	<u>(0.09)</u>	<u>0.16</u>	<u>(0.21)</u>	<u>0.10</u>
Diluted earnings per ordinary shares (sen)	<u>N/A</u>	<u>0.03</u>	<u>N/A</u>	<u>0.02</u>

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LUSTER INDUSTRIES BHD.

Company No. 156148-P

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 30 SEPTEMBER 2015**

	----- Attributable to owners of the parent -----							Total	Non-controlling interests	Total equity
	----- Non-distributable -----									
	Share capital	ICULS	Share premium	Warrant reserve	Discount on shares	Other reserves	Accumulated losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2015	157,432	490	942	22,618	(22,618)	10,675	(18,786)	150,753	-	150,753
Total comprehensive loss for the year	-	-	-	-	-	(800)	(3,529)	(4,329)	45	(4,284)
Transactions with owners :										
Acquisition of subsidiary								-	811	811
Issuance of shares pursuant to placement	15,703							15,703		15,703
Issuance of shares pursuant to ICULS conversion	17	(17)						-		-
Share-based compensation pursuant to ESOS granted						213		213		213
Issuance of shares pursuant to ESOS	39		-					39		39
Transfer upon exercise of ESOS			9			(9)		-		-
Total transactions with owners	15,759	(17)	9	-	-	204	-	15,955	811	16,766
As at 30 September 2015	173,191	473	951	22,618	(22,618)	10,079	(22,315)	162,379	856	163,235

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LUSTER INDUSTRIES BHD.

Company No. 156148-P

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 30 SEPTEMBER 2015**

	----- Attributable to owners of the parent -----							Total	Non-controlling interests	Total equity
	----- Non-distributable -----									
	Share capital	ICULS	Share premium	Warrant reserve	Discount on shares	Other reserves	Accumulated losses	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2014	138,693	18,800	847	22,618	(22,618)	1,426	(19,398)	140,368	11,252	151,620
Total comprehensive profit for the period	-	-	-	-	-	-	1,514	1,514	49	1,563
<i>Transactions with owners :</i>										
Issuance of shares pursuant to ICULS conversion	18,306	(18,306)						-	-	-
Share-based compensation pursuant to ESOS granted						753		753	-	753
Issuance of shares pursuant to ESOS	424							424	-	424
Transfer upon exercise of ESOS			92			(92)		-	-	-
Total transactions with owners	18,730	(18,306)	92	-	-	661	-	1,177	-	1,177
As at 30 September 2014	157,423	494	939	22,618	(22,618)	2,087	(17,884)	143,059	11,301	154,360

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LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

	30-Sep-15 RM'000	30-Sep-14 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(2,137)	2,624
Adjustments for:		
Bad debts written off	144	-
Debts recovered	-	(204)
Depreciation	4,044	4,134
Gain on disposal of property, plant and equipment	(68)	(3,328)
Interest expense	181	189
Interest income	(330)	(468)
Share-based compensation pursuant to ESOS granted	213	753
Unrealised gain on foreign exchange	(549)	(8)
Operating profit before working capital changes	1,498	3,692
(Increase)/decrease in inventories	(786)	1,198
Increase in receivables	(3,567)	(519)
Increase/(decrease) in payables	4,659	(7,856)
Cash generated from/(used in) operations	1,804	(3,485)
Income tax paid	(1,491)	(1,722)
Interest paid	(181)	(189)
Net cash generated from/(used in) operating activities	132	(5,396)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows from acquisition of equity interests in subsidiaries	(17,105)	
Interest received	330	468
Placement of fixed deposits	-	(2,995)
Proceeds from disposal of property, plant and equipment	174	4,863
Purchase of property, plant and equipment	(831)	(5,024)
Net cash used in investing activities	(17,432)	(2,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease	(942)	(1,162)
Repayment of term loan	(23)	(22)
Proceed from issuance of shares pursuant to private placement	15,703	-
Proceeds from issuance of shares pursuant to ESOS	39	424
Net cash generated from/(used in) financing activities	14,777	(760)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,523)	(8,844)
Effects of foreign exchange rates changes	358	(22)
CASH AND CASH EQUIVALENTS AT BEGINNING	24,922	33,158
CASH AND CASH EQUIVALENTS AT END	22,757	24,292
Represented by:		
Fixed deposits with licensed banks	2,087	2,147
Cash and bank balances	20,670	22,145
	22,757	24,292

The notes set out on page 6 to 14 form an integral part of and should be read in conjunction with this interim financial report.

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”) in the financial year to date;
- b. the issuance of 157,033,000 new ordinary shares of RM0.10 each pursuant to the private placement in 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”) in the 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.

	9 months ended 30.09.15 (RM’000)	9 months ended 30.09.14 (RM’000)
Segment Revenue		
Contract manufacturing	86,686	78,015
Gaming*	1,291	-
Others	6,116	2,115
Total revenue including inter-segment sales	<u>94,093</u>	<u>80,130</u>
Elimination of inter-segment sales	<u>(6,116)</u>	<u>(2,115)</u>
Total revenue to external customers	<u><u>87,977</u></u>	<u><u>78,015</u></u>
	9 months ended 30.09.15 (RM’000)	9 months ended 30.09.14 (RM’000)
Segment Results		
Contract manufacturing	(1,025)	731
Gaming*	110	-
Others	2,779	1,893
Total results	<u>1,864</u>	<u>2,624</u>
Elimination	<u>(4,001)</u>	<u>-</u>
(Loss)/profit before taxation	<u>(2,137)</u>	<u>2,624</u>
Taxation	<u>(1,347)</u>	<u>(1,061)</u>
(Loss)/profit for the year	<u><u>(3,484)</u></u>	<u><u>1,563</u></u>

* *Post-acquisition revenue and results of 2 months.*

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 except the followings:

The Company had on 20 August 2015 completed the acquisition of 60% equity interest in the issued and paid-up shares capital of Pan Cambodian Lottery Corporation Limited comprising 600 ordinary shares of USD2,000 each for a total cash consideration of USD4,200,000.00 only.

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

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	(Unaudited) 30.09.15 RM'000	(Unaudited) 30.09.14 RM'000	(Unaudited) 30.09.15 RM'000	(Unaudited) 30.09.14 RM'000
Revenue	27,676	25,011	87,977	78,015
(Loss)/profit before taxation	(495)	3,267	(2,137)	2,624

Comparison with Corresponding Quarter in Previous Year

The Group revenue has increased from RM25.0 million in previous year corresponding quarter to RM27.7 million in current quarter under review. This was mainly due to the increase in sales to customers in medical and automotive industries in manufacturing sector. The consolidation of gaming sector has also contributed to the increase in revenue in current quarter under review.

The Group has recorded a loss before taxation (“LBT”) of RM0.5 million in current quarter under review. This was mainly due to the payment of compensation of RM0.5 million under the Voluntary Separation Scheme to certain departments’ staff. The profit before taxation (“PBT”) recorded in previous year corresponding quarter was RM3.3 million. This was mainly due to the gain on disposal of property, plant and equipment of RM3.3 million.

Comparison with Corresponding Financial Period To Date in Previous Year

The Group has recorded a revenue of RM88.0 million and RM78.0 million in current reporting period and previous year corresponding period respectively. This was mainly due to the increase in fabrication of new moulds to a customer in electronic & electrical industry and sales to customers in medical and automotive industries in manufacturing sector in current reporting period. The consolidation of gaming sector has also contributed to the increase in revenue in current reporting period.

The Group has recorded a LBT of RM2.1 million and PBT of RM2.6 million respectively in current reporting period and previous year corresponding period respectively. This was mainly due to the gain on disposal of property, plant and equipment of RM3.3 million in previous year corresponding period. The development and testing costs of the new models for automotive and electronic & electrical sectors in the first quarter of the current reporting period also resulted in LBT recorded in current reporting period.

2. Variation of results against preceding quarter

The Group has recorded a revenue and LBT of RM27.7 million and RM0.5 million in current quarter under review as compared to revenue and PBT of RM30.3 million and RM0.3 million respectively in previous quarter. This was mainly due to lower sales recorded and the payment of compensation of RM0.5 million under the Voluntary Separation Scheme to certain departments in current quarter under review.

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. The Group will also focus to move itself to be an “Original Design Manufacturer” (“ODM”).

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. The Group strongly believe that the recent acquisition of the gaming business in Cambodia will be able to generate additional revenue given the time to develop. In the construction sector, the Group is on track in developing housing projects.

In light of the above developments, the Board is cautiously optimistic in delivering a satisfactory 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

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.09.15	30.09.14	30.09.15	30.09.14
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current tax	(234)	(711)	(660)	(1,061)
- Under provision in prior year	(687)	-	(687)	-
	<u>(921)</u>	<u>(711)</u>	<u>(1,347)</u>	<u>(1,061)</u>

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

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

6. Profit/(Loss) before taxation

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		9 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.09.15	30.09.14	30.09.15	30.09.14
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Bad debts written off	144	-	144	-
Depreciation	1,405	1,397	4,044	4,134
Doubtful debts recovered	-	-	-	(204)
(Loss)/gain on disposal of property, plant and equipment	23	(3,311)	(68)	(3,328)
Interest expense	55	56	181	189
Interest income	(132)	(168)	(330)	(468)
Realised (gain)/loss on foreign Exchange	(269)	(22)	(350)	70
Rental income	(14)	(44)	(115)	(70)
Unrealised gain on foreign exchange	(375)	(86)	(549)	(8)

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. Further to the announcement dated 30 April 2015 and 5 May 2015 in relation to the Sale of Shares Agreement entered with Opal Deluxe Limited for the acquisition of 60% equity interest in the issued and paid-up shares capital of Pan Cambodian Lottery Corporation Limited ("Acquisition"), the Board of Directors announced that the Acquisition has been completed on 20 August 2015.

- b. The Board of Directors had on 4 September 2015 announced that Opal Deluxe Limited and Luster Industries Bhd. have on even date entered into a supplemental agreement (the “Supplemental Agreement”) in relation to Sale of Shares Agreement dated 30 April 2015 (the “SSA”). The salient terms of the Supplemental Agreement are to include the new definition in Clause 1 of the SSA and to delete Clause 9.2 of the SSA in its entirety and replace with the new terms as announced in Bursa Malaysia Berhad website.

8. Borrowings and debts securities

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

	RM’000
Non-current	799
Current	2,776
	<u>3,575</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:

	Individual Quarter		Cumulative Quarter	
	3 Months Ended	3 Months Ended	9 Months Ended	9 Months Ended
	30.09.15	30.09.14	30.09.15	30.09.14
(Loss)/profit attributable to owners of the parent (RM’000)	(1,461)	2,303	(3,529)	1,514

	Individual Quarter		Cumulative Quarter	
	3 Months Ended	3 Months Ended	9 Months Ended	9 Months Ended
	30.09.15	30.09.14	30.09.15	30.09.14
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)	73,196	-	73,196	-
Effect of shares issued pursuant to ICULS conversion ('000)	159	64,401	159	64,401
Effect of shares issued pursuant to ESOS ('000)	194	580	194	580
Weighted average number of issued ordinary shares of RM0.10 each ('000)	1,647,871	1,451,912	1,647,871	1,451,912
Basic (loss)/earnings per share (sen)	(0.09)	0.16	(0.21)	0.10

Based on the 30-days weighted average market price of share of Luster Industries Bhd. up to 30 September 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

	30.09.15	31.12.14
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(17,711)	(7,254)
- Unrealised	(892)	(917)
	<u>(18,603)</u>	<u>(8,171)</u>
Less: Consolidation adjustments	(3,712)	(10,615)
Total accumulated losses of the Group	<u>(22,315)</u>	<u>(18,786)</u>

BY ORDER OF THE BOARD

Liang Wooi Gee

Deputy Managing Director

Dated this 24th day of November 2015