

LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Unaudited as at 31-Dec-15 RM'000	Audited as at 31-Dec-14 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	69,204	74,989
Statutory deposit	2,146	-
Goodwill on consolidation	25,251	20,729
	<u>96,601</u>	<u>95,718</u>
Current assets		
Inventories	13,719	13,245
Trade receivables	25,369	19,863
Other receivables, deposits and prepayments	11,123	10,245
Tax refundable	986	793
Fixed deposits with a licensed bank	7,369	6,302
Cash and bank balances	18,535	22,767
	<u>77,101</u>	<u>73,215</u>
Assets as held for sale	1,859	-
	<u>175,561</u>	<u>168,933</u>
TOTAL ASSETS		
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	11,731	10,675
ICULS	473	490
Accumulated losses	(36,654)	(18,786)
	<u>149,692</u>	<u>150,753</u>
Non-controlling interests	1,646	-
Total equity	<u>151,338</u>	<u>150,753</u>
Non-current liabilities		
Borrowings	1,067	1,544
Deferred tax liabilities	1,934	1,452
	<u>3,001</u>	<u>2,996</u>
Current liabilities		
Trade payables	10,149	7,096
Other payables and accruals	7,527	4,986
Borrowings	3,193	2,843
Provision for taxation	353	259
	<u>21,222</u>	<u>15,184</u>
Total liabilities	<u>24,223</u>	<u>18,180</u>
TOTAL EQUITY AND LIABILITIES	<u>175,561</u>	<u>168,933</u>
Net assets per share (RM)	0.09	0.10

The notes set out on page 6 to 15 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 31 DECEMBER 2015

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	31-Dec-15 RM'000	31-Dec-14 RM'000	31-Dec-15 RM'000	31-Dec-14 RM'000
Revenue	31,038	23,568	119,015	101,583
Cost of sales	<u>(25,794)</u>	<u>(22,036)</u>	<u>(104,936)</u>	<u>(91,234)</u>
Gross profit	5,244	1,532	14,079	10,349
Other (expenses)/income	(10,987)	1,199	(8,782)	5,790
Administration expenses	(6,156)	(3,258)	(17,995)	(13,207)
Distribution expenses	<u>(362)</u>	<u>(290)</u>	<u>(1,519)</u>	<u>(936)</u>
Results from operating activities	(12,261)	(817)	(14,217)	1,996
Finance costs	<u>(53)</u>	<u>(63)</u>	<u>(234)</u>	<u>(252)</u>
(Loss)/profit before taxation	(12,314)	(880)	(14,451)	1,744
Taxation	<u>(1,334)</u>	<u>96</u>	<u>(2,681)</u>	<u>(965)</u>
(Loss)/profit for the period	(13,648)	(784)	(17,132)	779
Other comprehensive (loss)/income:				
Exchange translation reserve	<u>1,652</u>	<u>-</u>	<u>852</u>	<u>-</u>
Total comprehensive (loss)/income for the period	(11,996)	(784)	(16,280)	779
(Loss)/profit for the year attributable to:				
Owners of the parent	(14,339)	(902)	(17,868)	612
Non-controlling interests	<u>691</u>	<u>118</u>	<u>736</u>	<u>167</u>
	(13,648)	(784)	(17,132)	779
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(12,786)	(902)	(17,115)	612
Non-controlling interests	<u>790</u>	<u>118</u>	<u>835</u>	<u>167</u>
	(11,996)	(784)	(16,280)	779
Basic (loss)/earnings per ordinary shares (sen)	<u>(0.86)</u>	<u>(0.06)</u>	<u>(1.07)</u>	<u>0.04</u>
Diluted earnings per ordinary shares (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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 31 DECEMBER 2015**

	----- Attributable to owners of the parent -----							Non-controlling interests	Total equity	
	----- Non-distributable -----									
	Share capital	ICULS	Share premium	Warrant reserve	Discount on shares	Other reserves	Accumulated losses	Total		
	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	-	-	-	-	-	852	(17,868)	(17,016)	835	(16,181)
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 31 December 2015	173,191	473	951	22,618	(22,618)	11,731	(36,654)	149,692	1,646	151,338

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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 31 DECEMBER 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 2014	138,693	18,800	847	22,618	(22,618)	1,426	(19,398)	140,368	11,253	151,621
Total comprehensive profit for the period	-	-	-	-	-	-	612	612	167	779
<i>Transactions with owners :</i>										
Acquisition from non-controlling interests						8,420		8,420	(11,420)	(3,000)
Issuance of shares pursuant to ICULS conversion	18,310	(18,310)						-	-	-
Share-based compensation pursuant to ESOS granted						924		924	-	924
Issuance of shares pursuant to ESOS	429							429	-	429
Transfer upon exercise of ESOS			95			(95)		-	-	-
Total transactions with owners	18,739	(18,310)	95	-	-	9,249	-	9,773	(11,420)	(1,647)
As at 31 December 2014	157,432	490	942	22,618	(22,618)	10,675	(18,786)	150,753	-	150,753

The notes set out on page 6 to 15 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 CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 31 DECEMBER 2015

	31-Dec-15 RM'000	31-Dec-14 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(14,451)	1,744
Adjustments for:		
Depreciation	6,006	5,551
Goodwill written off	12,137	-
Impairment loss on property, plant and equipment	960	-
Impairment loss on receivables	993	-
Interest expense	234	252
Interest income	(713)	(501)
Gain on disposal of property, plant and equipment	(132)	(3,329)
Property, plant and equipment written off	167	6
Share-based compensation pursuant to ESOS granted	213	924
Unrealised gain on foreign exchange	(935)	(535)
Operating profit before working capital changes	4,479	4,112
Increase in inventories	(474)	(40)
(Increase)/decrease in receivables	(6,474)	5,650
Increase/(decrease) in payables	4,508	(7,442)
Cash generated from operations	2,039	2,280
Income tax paid	(2,298)	(1,928)
Interest paid	(234)	(252)
Net cash (used in)/generated from operating activities	(493)	100
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows from acquisition of equity interests in subsidiaries	(17,105)	-
Interest received	713	490
Placement of fixed deposits	-	(2,995)
Proceeds from disposal of property, plant and equipment	448	4,860
Purchase of shares from non-controlling interests	-	(3,000)
Purchase of property, plant and equipment	(2,357)	(8,194)
Net cash used in investing activities	(18,301)	(8,839)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bankers' acceptance	500	1,500
Repayment of finance lease	(1,385)	(1,700)
Repayment of term loan	(28)	(27)
Proceed from issuance of shares pursuant to private placement	15,703	-
Proceeds from issuance of shares pursuant to ESOS	39	429
Net cash generated from financing activities	14,829	202
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,965)	(8,537)
Effects of foreign exchange rates changes	800	302
CASH AND CASH EQUIVALENTS AT BEGINNING	24,923	33,158
CASH AND CASH EQUIVALENTS AT END	21,758	24,923
Represented by:		
Fixed deposits with licensed banks	3,223	2,156
Cash and bank balances	18,535	22,767
	21,758	24,923

The notes set out on page 6 to 15 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.

	12 months ended 31.12.15 (RM’000)	12 months ended 31.12.14 (RM’000)
Segment Revenue		
Contract manufacturing	114,640	106,997
Gaming*	4,327	-
Others	7,085	2,820
Total revenue including inter-segment sales	<u>126,052</u>	<u>109,817</u>
Elimination of inter-segment sales	<u>(7,037)</u>	<u>(8,234)</u>
Total revenue to external customers	<u><u>119,015</u></u>	<u><u>101,583</u></u>
	12 months ended 31.12.15 (RM’000)	12 months ended 31.12.14 (RM’000)
Segment Results		
Contract manufacturing	(1,353)	(249)
Gaming*	1,879	-
Others	1,008	(5,007)
Total results	<u>1,534</u>	<u>(5,256)</u>
Elimination	<u>(15,985)</u>	<u>7,000</u>
(Loss)/profit before taxation	<u>(14,451)</u>	<u>1,744</u>
Taxation	<u>(2,681)</u>	<u>(965)</u>
(Loss)/profit for the year	<u><u>(17,132)</u></u>	<u><u>779</u></u>

* *Post-acquisition revenue and results of 5 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.

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 12 Months Ended	
	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000
Revenue	31,038	23,568	119,015	101,583
(Loss)/profit before taxation	(12,314)	(880)	(14,451)	1,744

Comparison with Corresponding Quarter in Previous Year

The Group revenue has increased from RM23.6 million in previous year corresponding quarter to RM31.0 million in current quarter under review. This was mainly due to the increase in sales to customers in electrical and electronic industries and hygiene products 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 RM12.3 million and RM0.9 million in current quarter under review and previous year corresponding period respectively. This was mainly due to the goodwill on consolidation written off amounting to RM12.1 million, the impairment loss on property, plant and equipment in Mining sector amounting to RM1.0 million and impairment loss on receivables in Manufacturing sector of RM1.0 million. The profit before taxation from Gaming sector was RM1.8 million in current quarter under review.

Comparison with Corresponding Financial Period To Date in Previous Year

The Group has recorded a revenue of RM119.0 million and RM101.6 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 automotive industries and hygiene products 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 revenue in Gaming sector was RM4.3 million in current reporting period.

The Group has recorded a LBT of RM14.5 million and profit before taxation of RM1.7 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 current year result was affected by the goodwill on consolidation written off, impairment loss on property, plant and equipment and impairment on receivables abovementioned.

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

The Group has recorded a revenue and LBT of RM31.0 million and RM12.3 million in current quarter under review as compared revenue and LBT of RM27.7 million and RM0.5 million respectively in previous quarter. This was mainly due to the goodwill on consolidation written off, impairment loss on property, plant and equipment and impairment on receivables abovementioned.

3. **Prospects**

Global growth is projected to edge up in the coming years, but at a slower pace. This pickup is predicated on continued gains in major high-income countries, a gradual tightening of financing conditions, a stabilization of commodity prices and a gradual rebalancing in China.

In the manufacturing segment, we will continue to differentiate ourselves from the other manufacturers by providing more value-added works and services to our customers which include design and development, innovative value-added processes, completeness of production processes and competitive costs. We will further consolidate duplicated activities within the manufacturing group to further enhance our price competitiveness. We are studying to replace and upgrade our production facilities to a higher and different technology in order to reduce the production cycle-time as well as efficiency. We are also exploring the possibilities of process automation in view of the increasing cost of labour. With our corporate rebranding exercise during the financial year, we believe we will be able to continue to attract new talents and with our continuous emphasis in training and retraining we will be able to upgrade our human capital, which is crucial for our succession plan.

We will continue our effort to explore available opportunities to ensure that the exploration and mining activities are economically and financially feasible. We are currently negotiating with other parties to participate to study on the available options to increase the economic of scale of the operation at reasonable costs. With the expected stabilization of commodity prices, the Board believes that there will be more certainty in this industry, hence making the exploration and mining activities more economically viable and stable.

We are finalizing the affordable home project in Perak and barring any unforeseen circumstances, we will be able to start work soon. We will continue to explore other opportunities in other areas for the affordable housing projects before we embark upon larger projects.

As for the gaming and leisure segment, we will work along with our partner to further expand the digit game business. We are planning to look into casino and related activities in the next phase of expansion.

In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in the financial year 2016.

4. Variance of profit forecast

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

5. Taxation

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000
Malaysian income tax: Based on results for the period:				
- Current tax	(854)	197	(1,514)	(864)
- Deferred tax relating to the origination and reversal of temporary differences	(494)	79	(494)	79
	(1,348)	276	(2,008)	(785)
Real property gains tax	-	(28)	-	(28)
	(1,348)	248	(2,008)	(813)
(Under)/ over provision in prior year:				
- Current tax	14	(26)	(673)	(26)
- Deferred tax	-	(126)	-	(126)
	14	(152)	(673)	(152)
	(1,334)	96	(2,681)	(965)

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**

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.14 RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Depreciation	1,962	1,417	6,006	5,551
Doubtful debts recovered	-	198	-	(6)
Goodwill written off	12,137	-	12,137	-
Loss/(gain) on disposal of property, plant and equipment	(64)	(1)	(132)	(3,329)
Impairment loss on property, plant and equipment	960	-	960	-
Impairment loss on receivables	993	-	993	-
Interest expense	53	63	234	252
Interest income	(383)	(33)	(713)	(501)
Property, plant and equipment written off	167	6	167	6
Realised (gain)/loss on foreign Exchange	(248)	68	(598)	138
Rental income	7	(58)	(108)	(128)
Unrealised gain on foreign Exchange	(386)	(527)	(935)	(535)

Other than the above items, there are no impairment of inventories, gain or loss on disposal of quoted or unquoted investments or properties, 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.

8. **Borrowings and debts securities**

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

	RM'000
Non-current	1,067
Current	3,193
	<u>4,260</u>

The above borrowings are secured and denominated in Ringgit Malaysia.

12. **Realised and unrealised accumulated losses**

	31.12.15 RM'000	31.12.14 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(12,421)	(7,254)
- Unrealised	(1,851)	(917)
	<u>(14,272)</u>	<u>(8,171)</u>
Less: Consolidation adjustments	(22,382)	(10,615)
Total accumulated losses of the Group	<u>(36,654)</u>	<u>(18,786)</u>

BY ORDER OF THE BOARD

Liang Wooi Gee

Deputy Managing Director

Dated this 25th day of February 2016