

LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

| | Unaudited as at 31-Mar-16 RM'000 | Audited as at 31-Dec-15 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant & equipment | 62,760 | 64,007 |
| Goodwill on consolidation | 25,251 | 25,251 |
| | <u>88,011</u> | <u>89,258</u> |
| Current assets | | |
| Inventories | 13,267 | 13,719 |
| Trade receivables | 23,469 | 25,368 |
| Other receivables, deposits and prepayments | 15,136 | 13,859 |
| Tax refundable | 1,208 | 986 |
| Fixed deposits with a licensed bank | 7,383 | 7,369 |
| Cash and bank balances | 18,156 | 18,535 |
| | <u>78,619</u> | <u>79,836</u> |
| Assets as held for sale | 6,909 | 6,857 |
| | <u>173,539</u> | <u>175,951</u> |
| TOTAL ASSETS | | |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 173,191 | 173,191 |
| Share premium | 951 | 951 |
| Discount on shares | (22,618) | (22,618) |
| Warrant reserve | 22,618 | 22,618 |
| Other reserves | 10,698 | 11,033 |
| ICULS | 473 | 473 |
| Accumulated losses | (36,970) | (36,121) |
| | <u>148,343</u> | <u>149,527</u> |
| Non-controlling interests | 1,487 | 1,646 |
| Total equity | <u>149,830</u> | <u>151,173</u> |
| Non-current liabilities | | |
| Borrowings | 900 | 1,067 |
| Deferred tax liabilities | 2,100 | 2,100 |
| | <u>3,000</u> | <u>3,167</u> |
| Current liabilities | | |
| Trade payables | 11,546 | 10,503 |
| Other payables and accruals | 5,115 | 7,536 |
| Borrowings | 3,496 | 3,193 |
| Provision for taxation | 552 | 379 |
| | <u>20,709</u> | <u>21,611</u> |
| Total liabilities | <u>23,709</u> | <u>24,778</u> |
| TOTAL EQUITY AND LIABILITIES | <u>173,539</u> | <u>175,951</u> |
| Net assets per share (RM) | 0.09 | 0.09 |

The notes set out on page 5 to 12 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 MARCH 2016

| | INDIVIDUAL QUARTER ENDED | | CUMULATIVE QUARTER TO DATE | |
|--|---------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | 31-Mar-16 RM'000 | 31-Mar-15 RM'000 | 31-Mar-16 RM'000 | 31-Mar-15 RM'000 |
| Revenue | 25,157 | 30,055 | 25,157 | 30,055 |
| Cost of sales | <u>(22,116)</u> | <u>(28,806)</u> | <u>(22,116)</u> | <u>(28,806)</u> |
| Gross profit | 3,041 | 1,249 | 3,041 | 1,249 |
| Other income | 386 | 763 | 386 | 763 |
| Administration expenses | (3,977) | (3,579) | (3,977) | (3,579) |
| Distribution expenses | <u>(191)</u> | <u>(348)</u> | <u>(191)</u> | <u>(348)</u> |
| Results from operating activities | (741) | (1,915) | (741) | (1,915) |
| Finance costs | <u>(52)</u> | <u>(66)</u> | <u>(52)</u> | <u>(66)</u> |
| Loss before taxation | (793) | (1,981) | (793) | (1,981) |
| Taxation | <u>(215)</u> | <u>(138)</u> | <u>(215)</u> | <u>(138)</u> |
| Loss for the period | (1,008) | (2,119) | (1,008) | (2,119) |
| Other comprehensive loss: | | | | |
| Exchange translation reserve | <u>(335)</u> | <u>-</u> | <u>(335)</u> | <u>-</u> |
| Total comprehensive loss for the period | (1,343) | (2,119) | (1,343) | (2,119) |
| Loss for the year attributable to: | | | | |
| Owners of the parent | (849) | (2,119) | (849) | (2,119) |
| Non-controlling interests | <u>(159)</u> | <u>-</u> | <u>(159)</u> | <u>-</u> |
| | (1,008) | (2,119) | (1,008) | (2,119) |
| Total comprehensive loss attributable to: | | | | |
| Owners of the parent | (1,184) | (2,119) | (1,184) | (2,119) |
| Non-controlling interests | <u>(159)</u> | <u>-</u> | <u>(159)</u> | <u>-</u> |
| | (1,343) | (2,119) | (1,343) | (2,119) |
| Basic loss per ordinary shares (sen) | <u>(0.06)</u> | <u>(0.13)</u> | <u>(0.06)</u> | <u>(0.13)</u> |
| Diluted loss per ordinary shares (sen) | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

The notes set out on page 5 to 12 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 CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2016

| | ----- 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 | RM'000 | RM'000 | RM'000 |
| As at 1 January 2016 | 173,191 | 473 | 951 | 22,618 | (22,618) | 11,033 | (36,121) | 149,527 | 1,646 | 151,173 |
| Total comprehensive loss for the period | - | - | - | - | - | (335) | (849) | (1,184) | (159) | (1,343) |
| As at 31 March 2016 | 173,191 | 473 | 951 | 22,618 | (22,618) | 10,698 | (36,970) | 148,343 | 1,487 | 149,830 |
| 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 period | - | - | - | - | - | - | (2,119) | (2,119) | - | (2,119) |
| <i>Transactions with owners :</i> | | | | | | | | | | |
| Issuance of shares pursuant to ICULS conversion | 17 | (17) | - | - | - | - | - | - | - | - |
| Total transactions with owners | 17 | (17) | - | - | - | - | - | - | - | - |
| As at 31 March 2015 | 157,449 | 473 | 942 | 22,618 | (22,618) | 10,675 | (20,905) | 148,634 | - | 148,634 |

The notes set out on page 5 to 12 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 MARCH 2016

| | 31-Mar-16 RM'000 | 31-Mar-15 RM'000 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (793) | (1,981) |
| Adjustments for: | | |
| Depreciation | 1,322 | 1,342 |
| Interest expense | 52 | 66 |
| Interest income | (66) | (74) |
| Loss on disposal of property, plant and equipment | 11 | - |
| Unrealised loss/(gain) on foreign exchange | 505 | (181) |
| Operating profit/(loss) before working capital changes | <u>1,031</u> | (828) |
| Decrease in inventories | 451 | 52 |
| Increase in receivables | (101) | (5,106) |
| (Decrease)/increase in payables | <u>(1,286)</u> | 5,649 |
| Cash generated from/(used in) operations | 95 | (233) |
| Income tax paid | (265) | (180) |
| Interest paid | <u>(52)</u> | (66) |
| Net cash used in operating activities | (222) | (479) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 66 | 74 |
| Purchase of property, plant and equipment | <u>(164)</u> | (317) |
| Net cash used in investing activities | (98) | (243) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown of bankers' acceptance | 500 | - |
| Repayment of finance lease | <u>(356)</u> | (327) |
| Repayment of term loan | (8) | (7) |
| Net cash generated from/(used in) financing activities | <u>136</u> | (334) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (184) | (1,056) |
| Effects of foreign exchange rates changes | (181) | 100 |
| CASH AND CASH EQUIVALENTS AT BEGINNING | <u>21,862</u> | 24,922 |
| CASH AND CASH EQUIVALENTS AT END | <u>21,497</u> | <u>23,966</u> |
| Represented by: | | |
| Fixed deposits with licensed banks | 3,341 | 2,168 |
| Cash and bank balances | <u>18,156</u> | 21,798 |
| | <u>21,497</u> | <u>23,966</u> |

The notes set out on page 5 to 12 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 2015.

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 2015, except for the adoption of the following Financial Reporting Standards (“FRS”), amendments to FRSs and Issues Committee Interpretations (“IC Interpretations”).

Effective for financial 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 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

Annual Improvements to MFRSs 2012–2014 Cycle

Effective for financial periods beginning on or after 1 January 2018

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

MFRS 15 Revenue from Contracts with Customers

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 financial 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 2015 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.

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.

| | 3 months ended 31.03.16 (RM'000) | 3 months ended 31.03.15 (RM'000) |
|---|---|---|
| Segment Revenue | | |
| Contract manufacturing | 25,070 | 30,055 |
| Gaming | 87 | - |
| Others | 759 | 4,706 |
| Total revenue including inter-segment sales | <u>25,916</u> | <u>34,761</u> |
| Elimination of inter-segment sales | (759) | (4,706) |
| Total revenue to external customers | <u><u>25,157</u></u> | <u><u>30,055</u></u> |
| | | |
| | 3 months ended 31.03.16 (RM'000) | 3 months ended 31.03.15 (RM'000) |
| Segment Results | | |
| Contract manufacturing | (136) | (1,756) |
| Gaming | (398) | - |
| Others | (259) | 3,776 |
| Total results | <u>(793)</u> | <u>2,020</u> |
| Elimination | - | (4,001) |
| Loss before taxation | <u>(793)</u> | <u>(1,981)</u> |
| Taxation | (215) | (138) |
| Loss for the year | <u><u>(1,008)</u></u> | <u><u>(2,119)</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 2015.

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 3 Months Ended | |
|----------------------|--|--|--|--|
| | (Unaudited) 31.03.16 RM'000 | (Unaudited) 31.03.15 RM'000 | (Unaudited) 31.03.16 RM'000 | (Unaudited) 31.03.15 RM'000 |
| Revenue | 25,157 | 30,055 | 25,157 | 30,055 |
| Loss before taxation | (793) | (1,981) | (793) | (1,981) |

Comparison with Corresponding Quarter in Previous Year

The Group revenue recorded was RM25.2 million and RM30.1 million in current quarter under review and previous year corresponding quarter respectively. This was mainly due to the reduction in sales to customers in electrical and electronic industry and automotive industry in Manufacturing sector. The Group also discontinued certain non-viable business.

The Group has recorded a loss before taxation (“LBT”) of RM0.8 million and RM2.0 million in current quarter under review and previous year corresponding period respectively. This was mainly due to the lower sales achieved. However, the Group managed to reduce the losses by discontinuing certain non-viable business.

The LBT in Gaming sector was RM0.4 million in current quarter under review. This was mainly due stiff competition. The Group is currently strategizing to strengthen our position in the market.

Comparison with Corresponding Financial Period To Date in Previous Year

The Group has recorded a revenue of RM25.2 million and RM30.1 million in current reporting period and previous year corresponding period respectively. This was mainly due to the reduction in sales to customers in electrical and electronic industry and automotive industry in Manufacturing sector.

The Group has recorded a LBT of RM0.8 million and RM2.0 million respectively in current reporting period and previous year corresponding period respectively. This was mainly due to the lower sales achieved abovementioned.

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

The Group has recorded a revenue and LBT of RM25.2 million and RM0.8 million in current quarter under review as compared revenue and LBT of RM31.0 million and RM12.3 million respectively in previous quarter. This was mainly due to the goodwill on consolidation written off of RM12.1 million, impairment loss on property, plant and equipment in Mining sector of RM1.0 million and impairment on receivables in Manufacturing sector of RM1.8 million in previous quarter.

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, 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. The affordable home project in Perak has commenced construction. As for the gaming and leisure segment, we will work along with our partner to strengthen our position in the market.

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 | | Cumulative Quarter | |
|---------------------------|--------------------|---------------------------|--------------------|
| 3 Months Ended | | 3 Months Ended | |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| 31.03.16 | 31.03.15 | 31.03.16 | 31.03.15 |
| RM'000 | RM'000 | RM'000 | RM'000 |

Malaysian income tax:

Based on results for the

period:

| | | | | |
|---------------|-------|-------|-------|-------|
| - Current tax | (215) | (138) | (215) | (138) |
|---------------|-------|-------|-------|-------|

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 | | Cumulative Quarter | |
|---------------------------|--------------------|---------------------------|--------------------|
| 3 Months Ended | | 3 Months Ended | |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| 31.03.16 | 31.03.15 | 31.03.16 | 31.03.15 |
| RM'000 | RM'000 | RM'000 | RM'000 |

Profit/(loss) before taxation is
arrived at after charging/
(crediting):

| | | | | |
|--|-------|-------|-------|-------|
| Depreciation | 1,322 | 1,342 | 1,322 | 1,342 |
| Loss on disposal of property, plant and equipment | 11 | - | 11 | - |
| Interest expense | 52 | 66 | 52 | 66 |
| Interest income | (66) | (74) | (66) | (74) |
| Realised gain on foreign exchange | (105) | (249) | (105) | (249) |
| Rental income | (5) | (57) | (5) | (57) |
| Unrealised loss/(gain) on foreign exchange | 505 | (180) | 505 | (180) |

Other than the above items, there are no impairment of receivables, 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**

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 | 900 |
| Current | 3,496 |
| | <hr style="border-top: 1px solid black;"/> |
| | 4,396 |

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 | |
| | 31.03.16 | 31.03.15 | 31.03.16 | 31.03.15 |
| Loss attributable to owners of the parent (RM'000) | (1,008) | (2,119) | (1,008) | (2,119) |

| | Individual Quarter | | Cumulative Quarter | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 3 Months Ended 31.03.16 | 3 Months Ended 31.03.15 | 3 Months Ended 31.03.16 | 3 Months Ended 31.03.15 |
| Adjusted number of issued ordinary shares of RM0.10 each ('000) | 1,731,909 | 1,574,322 | 1,731,909 | 1,574,322 |
| Effect of shares issued pursuant to ICULS conversion ('000) | - | 147 | - | 147 |
| Weighted average number of issued ordinary shares of RM0.10 each ('000) | 1,731,909 | 1,574,469 | 1,731,909 | 1,574,469 |
| Basic loss per share (sen) | (0.06) | (0.13) | (0.06) | (0.13) |

Based on the 30-days weighted average market price of share of Luster Industries Bhd. up to 31 March 2016, 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

| | 31.03.16 RM'000 | 31.12.15 RM'000 |
|---|--------------------|--------------------|
| Total accumulated losses of the Company and its subsidiaries: | | |
| - Realised | (37,468) | (31,021) |
| - Unrealised | (2,606) | (1,179) |
| | <u>(40,074)</u> | <u>(32,200)</u> |
| Less: Consolidation adjustments | 2,945 | (3,921) |
| Total accumulated losses of the Group | <u>(37,129)</u> | <u>(36,121)</u> |

BY ORDER OF THE BOARD

Liang Wooi Gee

Deputy Managing Director

Dated this 30th day of May 2016