

**LUSTER INDUSTRIES BHD.**  
**Company No. 156148-P**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Unaudited as at 30-Jun-16 RM'000	Audited as at 31-Dec-15 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	61,621	64,007
Goodwill on consolidation	25,251	25,251
	<u>86,872</u>	<u>89,258</u>
<b>Current assets</b>		
Inventories	12,873	13,719
Trade receivables	28,220	25,368
Other receivables, deposits and prepayments	21,989	13,859
Tax refundable	1,317	986
Fixed deposits with a licensed bank	7,429	7,369
Cash and bank balances	12,014	18,535
	<u>83,842</u>	<u>79,836</u>
Assets as held for sale	5,603	6,857
	<u>176,317</u>	<u>175,951</u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
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	10,774	11,033
ICULS	473	473
Accumulated losses	(35,450)	(36,121)
	<u>149,939</u>	<u>149,527</u>
Non-controlling interests	1,435	1,646
<b>Total equity</b>	<u>151,374</u>	<u>151,173</u>
<b>Non-current liabilities</b>		
Borrowings	689	1,067
Deferred tax liabilities	2,100	2,100
	<u>2,789</u>	<u>3,167</u>
<b>Current liabilities</b>		
Trade payables	12,202	10,503
Other payables and accruals	6,299	7,536
Borrowings	2,786	3,193
Provision for taxation	867	379
	<u>22,154</u>	<u>21,611</u>
<b>Total liabilities</b>	<u>24,943</u>	<u>24,778</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>176,317</u>	<u>175,951</u>
<b>Net assets per share (RM)</b>	<b>0.09</b>	<b>0.09</b>

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 30 JUNE 2016**

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	30-Jun-16 RM'000	30-Jun-15 RM'000	30-Jun-16 RM'000	30-Jun-15 RM'000
Revenue	31,557	30,246	56,714	60,301
Cost of sales	<u>(26,503)</u>	<u>(25,918)</u>	<u>(48,619)</u>	<u>(54,724)</u>
<b>Gross profit</b>	<b>5,054</b>	4,328	<b>8,095</b>	5,577
Other income	<b>760</b>	396	<b>1,146</b>	1,159
Administration expenses	<b>(3,557)</b>	(3,931)	<b>(7,534)</b>	(7,510)
Distribution expenses	<u>(278)</u>	<u>(394)</u>	<u>(469)</u>	<u>(742)</u>
<b>Results from operating activities</b>	<b>1,979</b>	399	<b>1,238</b>	(1,516)
Finance costs	<u>(41)</u>	<u>(60)</u>	<u>(93)</u>	<u>(126)</u>
<b>Profit/(loss) before taxation</b>	<b>1,938</b>	339	<b>1,145</b>	(1,642)
Taxation	<u>(470)</u>	<u>(288)</u>	<u>(685)</u>	<u>(426)</u>
<b>Profit/(loss) for the period</b>	<b>1,468</b>	51	<b>460</b>	(2,068)
<b>Other comprehensive income/(loss):</b>				
Exchange translation reserve	<u>76</u>	<u>-</u>	<u>(259)</u>	<u>-</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><b>1,544</b></u>	<u>51</u>	<u><b>201</b></u>	<u>(2,068)</u>
<b>Income/(loss) for the year attributable to:</b>				
Owners of the parent	<b>1,520</b>	51	<b>671</b>	(2,068)
Non-controlling interests	<u>(52)</u>	<u>-</u>	<u>(211)</u>	<u>-</u>
	<u><b>1,468</b></u>	<u>51</u>	<u><b>460</b></u>	<u>(2,068)</u>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the parent	<b>1,596</b>	51	<b>412</b>	(2,068)
Non-controlling interests	<u>(52)</u>	<u>-</u>	<u>(211)</u>	<u>-</u>
	<u><b>1,544</b></u>	<u>51</u>	<u><b>201</b></u>	<u>(2,068)</u>
Basic earnings/(loss) per ordinary shares (sen)	<u><b>0.09</b></u>	<u>-</u>	<u><b>0.04</b></u>	<u>(0.13)</u>
Diluted earnings/(loss) 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 30 JUNE 2016**

	----- Attributable to owners of the parent -----							Total	Non- controlling interests	Total equity
	----- Non-distributable -----									
	Share capital RM'000	ICULS RM'000	Share premium RM'000	Warrant reserve RM'000	Discount on shares RM'000	Other reserves RM'000	Accumulated losses 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 earnings/(loss) for the period	-	-	-	-	-	(259)	671	412	(211)	201
As at 30 June 2016	<b>173,191</b>	<b>473</b>	<b>951</b>	<b>22,618</b>	<b>(22,618)</b>	<b>10,774</b>	<b>(35,450)</b>	<b>149,939</b>	<b>1,435</b>	<b>151,374</b>
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	-	-	-	-	-	-	(2,068)	(2,068)	-	(2,068)
<i>Transactions with owners :</i>										
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	-	15,955
As at 30 June 2015	<b>173,191</b>	<b>473</b>	<b>951</b>	<b>22,618</b>	<b>(22,618)</b>	<b>10,879</b>	<b>(20,854)</b>	<b>164,640</b>	<b>-</b>	<b>164,640</b>

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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 JUNE 2016**

	<b>30-Jun-16</b>	<b>30-Jun-15</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	1,145	(1,642)
Adjustments for:		
Depreciation	2,620	2,687
Gain on disposal of property, plant and equipment	(691)	(91)
Interest expense	93	126
Interest income	(141)	(198)
Share-based compensation pursuant to ESOS granted	-	213
Unrealised (gain)/loss on foreign exchange	575	(174)
Operating profit/(loss) before working capital changes	<u>3,601</u>	921
Decrease/(increase) in inventories	846	(797)
Increase in receivables	(11,247)	(11,615)
(Decrease)/increase in payables	<u>519</u>	6,977
Cash used in operations	(6,281)	(4,514)
Income tax paid	(528)	(484)
Interest paid	<u>(93)</u>	(126)
Net cash used in operating activities	<b>(6,902)</b>	<b>(5,124)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	141	198
Proceeds from disposal of property, plant and equipment	2,124	91
Purchase of property, plant and equipment	(429)	(343)
Net cash generated from/(used in) investing activities	<b>1,836</b>	<b>(54)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease	(769)	(579)
Repayment of term loan	(16)	(15)
Proceed from issuance of shares pursuant to private placement	-	15,703
Proceeds from issuance of shares pursuant to ESOS	-	39
Net cash (used in)/generated from financing activities	<u>(785)</u>	15,148
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,851)</b>	<b>9,970</b>
Effects of foreign exchange rates changes	(610)	56
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<u>21,862</u>	24,922
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b><u>15,401</u></b>	<b><u>34,948</u></b>
<b>Represented by:</b>		
Fixed deposits with licensed banks	3,387	2,182
Cash and bank balances	<u>12,014</u>	32,766
	<b><u>15,401</u></b>	<b><u>34,948</u></b>

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## 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.

	<b>6 months ended 30.06.16 (RM'000)</b>	<b>6 months ended 30.06.15 (RM'000)</b>
<b>Segment Revenue</b>		
Contract manufacturing	56,163	60,301
Gaming	551	-
Others	4,518	5,411
Total revenue including inter-segment sales	61,232	65,712
Elimination of inter-segment sales	(4,518)	(5,411)
Total revenue to external customers	<u>56,714</u>	<u>60,301</u>
	<b>6 months ended 30.06.16 (RM'000)</b>	<b>6 months ended 30.06.15 (RM'000)</b>
<b>Segment Results</b>		
Contract manufacturing	2,046	(564)
Gaming	(528)	-
Others	2,627	2,923
Total results	4,145	2,359
Elimination	(3,000)	(4,001)
Profit/(loss) before taxation	1,145	(1,642)
Taxation	(685)	(426)
Profit/(loss) for the year	<u>460</u>	<u>(2,068)</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**

	<b>Individual Quarter 3 Months Ended</b>		<b>Cumulative Quarter 6 Months Ended</b>	
	<b>(Unaudited) 30.06.16 RM'000</b>	<b>(Unaudited) 30.06.15 RM'000</b>	<b>(Unaudited) 30.06.16 RM'000</b>	<b>(Unaudited) 30.06.15 RM'000</b>
	Revenue	31,557	30,246	56,714
Profit/(loss) before taxation	1,938	339	1,145	(1,642)

**Comparison with Corresponding Quarter in Previous Year**

The Group revenue has increased by RM1.4 million from RM30.2 million in previous year corresponding quarter to RM31.6 million in current quarter under review. This was mainly due to the increase in sales to customers in machining services in Manufacturing sector.

The Group has recorded a profit before taxation (“PBT”) of RM1.9 million and RM0.3 million in current quarter under review and previous year corresponding period respectively. This was mainly due to the higher sales achieved and the gain on disposal of property, plant and equipment of RM0.7 million. The higher PBT in current quarter under review was also due to the Group had discontinued certain non-viable business.

The loss before taxation (“LBT”) in Gaming sector was RM0.1 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 RM56.7 million and RM60.3 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 PBT of RM1.1 million and LBT of RM1.6 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 RM0.7 million. The higher PBT in current reporting period was also due to the Group had discontinued certain non-viable business.



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

The Group has recorded a revenue and PBT of RM31.6 million and RM1.9 million in current quarter under review as compared to revenue and LBT of RM25.2 million and RM0.8 million respectively in previous quarter. This was mainly due to the higher sales achieved and the gain on disposal of property, plant and equipment of RM0.7 million.

## 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.

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 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 6 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<b>30.06.16</b>	<b>30.06.15</b>	<b>30.06.16</b>	<b>30.06.15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

Malaysian income tax:

Based on results for the

period:

- Current tax	(470)	(288)	(685)	(426)
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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 6 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<b>30.06.16</b>	<b>30.06.15</b>	<b>30.06.16</b>	<b>30.06.15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>

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

Depreciation	1,298	1,345	2,620	2,687
Gain on disposal of property, plant and equipment	(702)	(91)	(691)	(91)
Interest expense	41	60	93	126
Interest income	(75)	(124)	(141)	(198)
Realised loss/(gain) on foreign exchange	100	168	(5)	(81)
Rental income	(3)	(44)	(8)	(101)
Unrealised loss/(gain) on foreign exchange	69	6	575	(174)

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**

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

The Board had on 5 July 2016 announced that the Company had signed a Memorandum of Understanding ("MOU") with Citi-Champ International Limited. Up the date of this report, the parties are still in the process of negotiation to finalise the terms and conditions of the proposed share acquisition.

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	689
Current	2,786
	<hr style="border-top: 1px solid black;"/>
	3,475
	<hr style="border-top: 3px double black;"/>

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>30.06.16</b>	<b>30.06.15</b>	<b>30.06.16</b>	<b>30.06.15</b>
Income/(loss) attributable to owners of the parent (RM'000)	1,520	51	671	(2,068)
	<hr style="border-top: 1px solid black;"/>			

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>	<b>3 Months Ended</b>	<b>6 Months Ended</b>	<b>6 Months Ended</b>
	<b>30.06.16</b>	<b>30.06.15</b>	<b>30.06.16</b>	<b>30.06.15</b>
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 private placement ('000)	-	30,582	-	30,582
Effect of shares issued pursuant to ICULS conversion ('000)	-	156	-	156
Effect of shares issued pursuant to ESOS ('000)	-	95	-	95
Weighted average number of issued ordinary shares of RM0.10 each ('000)	1,731,909	1,605,155	1,731,909	1,605,155
Basic earnings/(loss) per share (sen)	0.09	0.00	0.04	(0.13)

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

	<b>30.06.16</b>	<b>31.12.15</b>
	<b>RM'000</b>	<b>RM'000</b>
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(35,932)	(31,021)
- Unrealised	(2,675)	(1,179)
	<u>(38,607)</u>	<u>(32,200)</u>
Less: Consolidation adjustments	3,157	(3,921)
Total accumulated losses of the Group	<u>(35,450)</u>	<u>(36,121)</u>

**BY ORDER OF THE BOARD**  
**Liang Wooi Gee**  
Deputy Managing Director  
**Dated this 29th day of August 2016**