

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

|  | Unaudited<br>as at<br>30-Sep-16<br>RM'000 | Audited<br>as at<br>31-Dec-15<br>RM'000 |
|--|---|---|
| <b>ASSETS</b>                                      |   |   |
| <b>Non-current assets</b>                          |   |   |
| Property, plant & equipment                        | 61,782                                    | 64,007                                  |
| Goodwill on consolidation                          | 25,251                                    | 25,251                                  |
|  | <u>87,033</u>                             | <u>89,258</u>                           |
| <b>Current assets</b>                              |   |   |
| Property Development Costs                         | 9,125                                     | -                                       |
| Inventories  | 13,469                                    | 13,719                                  |
| Trade receivables                                  | 24,976                                    | 25,368                                  |
| Other receivables, deposits and prepayments        | 15,526                                    | 13,859                                  |
| Tax refundable                                     | 1,617                                     | 986                                     |
| Fixed deposits with a licensed bank                | 4,200                                     | 7,369                                   |
| Cash and bank balances                             | 15,189                                    | 18,535                                  |
|  | <u>84,102</u>                             | <u>79,836</u>                           |
| Assets as held for sale                            | 5,691                                     | 6,857                                   |
|  | <u>176,826</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                                     | 10,861                                    | 11,033                                  |
| ICULS  | 473                                       | 473                                     |
| Accumulated losses                                 | (36,074)                                  | (36,121)                                |
|  | <u>149,402</u>                            | <u>149,527</u>                          |
| Non-controlling interests                          | 1,475                                     | 1,646                                   |
| <b>Total equity</b>                                | <u>150,877</u>                            | <u>151,173</u>                          |
| <b>Non-current liabilities</b>                     |   |   |
| Borrowings   | 1,186                                     | 1,067                                   |
| Deferred tax liabilities                           | 2,100                                     | 2,100                                   |
|  | <u>3,286</u>                              | <u>3,167</u>                            |
| <b>Current liabilities</b>                         |   |   |
| Trade payables                                     | 13,028                                    | 10,503                                  |
| Other payables and accruals                        | 6,204                                     | 7,536                                   |
| Borrowings   | 2,858                                     | 3,193                                   |
| Provision for taxation                             | 573                                       | 379                                     |
|  | <u>22,663</u>                             | <u>21,611</u>                           |
| <b>Total liabilities</b>                           | <u>25,949</u>                             | <u>24,778</u>                           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                | <u>176,826</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 SEPTEMBER 2016**

|  | INDIVIDUAL QUARTER<br>ENDED |                     | CUMULATIVE QUARTER<br>TO DATE |                     |
|--|-----------------------------|---------------------|-------------------------------|---------------------|
|  | 30-Sep-16<br>RM'000         | 30-Sep-15<br>RM'000 | 30-Sep-16<br>RM'000           | 30-Sep-15<br>RM'000 |
| Revenue  | 29,073                      | 27,676              | 85,787                        | 87,977              |
| Cost of sales  | <u>(25,327)</u>             | <u>(24,418)</u>     | <u>(73,946)</u>               | <u>(79,142)</u>     |
| <b>Gross profit</b>                                  | <b>3,746</b>                | 3,258               | <b>11,841</b>                 | 8,835               |
| Other income   | 91                          | 1,046               | 1,237                         | 2,205               |
| Administration expenses                              | <b>(3,837)</b>              | (4,329)             | <b>(11,371)</b>               | (11,839)            |
| Distribution expenses                                | <u>(422)</u>                | <u>(415)</u>        | <u>(891)</u>                  | <u>(1,157)</u>      |
| <b>Results from operating activities</b>             | <b>(422)</b>                | (440)               | <b>816</b>                    | (1,956)             |
| Finance costs  | <u>(41)</u>                 | <u>(55)</u>         | <u>(134)</u>                  | <u>(181)</u>        |
| <b>(Loss)/profit before taxation</b>                 | <b>(463)</b>                | (495)               | <b>682</b>                    | (2,137)             |
| Taxation   | <u>(121)</u>                | <u>(921)</u>        | <u>(806)</u>                  | <u>(1,347)</u>      |
| <b>Loss for the period</b>                           | <b>(584)</b>                | (1,416)             | <b>(124)</b>                  | (3,484)             |
| <b>Other comprehensive income/(loss):</b>            |                             |                     |                               |                     |
| Exchange translation reserve                         | <u>87</u>                   | <u>(800)</u>        | <u>(172)</u>                  | <u>(800)</u>        |
| <b>Total comprehensive loss<br/>for the period</b>   | <b>(497)</b>                | (2,216)             | <b>(296)</b>                  | (4,284)             |
| <b>Loss for the year attributable to:</b>            |                             |                     |                               |                     |
| Owners of the parent                                 | <b>(624)</b>                | (1,461)             | <b>47</b>                     | (3,529)             |
| Non-controlling interests                            | <u>40</u>                   | <u>45</u>           | <u>(171)</u>                  | <u>45</u>           |
|  | <b>(584)</b>                | (1,416)             | <b>(124)</b>                  | (3,484)             |
| <b>Total comprehensive loss<br/>attributable to:</b> |                             |                     |                               |                     |
| Owners of the parent                                 | <b>(565)</b>                | (2,261)             | <b>(153)</b>                  | (4,329)             |
| Non-controlling interests                            | <u>40</u>                   | <u>45</u>           | <u>(171)</u>                  | <u>45</u>           |
|  | <b>(525)</b>                | (2,216)             | <b>(324)</b>                  | (4,284)             |
| Basic (loss)/earnings per ordinary<br>shares (sen)   | <u>(0.04)</u>               | <u>(0.09)</u>       | <u>0.00</u>                   | <u>(0.21)</u>       |
| Diluted earnings/(loss) per ordinary<br>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 SEPTEMBER 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)/earnings for the period | -  | -          | -             | -               | -                  | (172)          | 47                 | (125)                     | (171)        | (296)          |
| As at 30 September 2016                            | <b>173,191</b>                                   | <b>473</b> | <b>951</b>    | <b>22,618</b>   | <b>(22,618)</b>    | <b>10,861</b>  | <b>(36,074)</b>    | <b>149,402</b>            | <b>1,475</b> | <b>150,877</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            | -  | -          | -             | -               | -                  | (800)          | (3,529)            | (4,329)                   | 45           | (4,284)        |
| <i>Transactions with owners :</i>                  |  |            |               |                 |                    |                |                    |                           |              |                |
| 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                            | <b>173,191</b>                                   | <b>473</b> | <b>951</b>    | <b>22,618</b>   | <b>(22,618)</b>    | <b>10,079</b>  | <b>(22,315)</b>    | <b>162,379</b>            | <b>856</b>   | <b>163,235</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 SEPTEMBER 2016**

|   | <b>30-Sep-16</b> | <b>30-Sep-15</b> |
|---|------------------|------------------|
|   | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                  |                  |
| Profit/(loss) before taxation                                 | 682              | (2,137)          |
| Adjustments for:  |                  |                  |
| Depreciation  | 3,837            | 4,044            |
| Gain on disposal of property, plant and equipment             | (722)            | (68)             |
| Impairment loss on trade receivables                          | -                | 144              |
| Interest expense  | 134              | 181              |
| Interest income   | (187)            | (330)            |
| Share-based compensation pursuant to ESOS granted             | -                | 213              |
| Unrealised loss/(gain) on foreign exchange                    | 819              | (549)            |
| Operating profit before working capital changes               | 4,563            | 1,498            |
| Increase in property development costs                        | (9,125)          | -                |
| Decrease/(increase) in inventories                            | 250              | (786)            |
| Increase in receivables                                       | (1,401)          | (3,567)          |
| Increase in payables  | 1,137            | 4,659            |
| Cash used in operations                                       | (4,576)          | 1,804            |
| Income tax paid   | (1,243)          | (1,491)          |
| Interest paid   | (134)            | (181)            |
| Net cash (used in)/generated from operating activities        | (5,953)          | 132              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                  |                  |
| Cash flows on acquisition of a subsidiary                     | -                | (17,105)         |
| Interest received   | 187              | 330              |
| Proceeds from disposal of property, plant and equipment       | 2,185            | 174              |
| Purchase of property, plant and equipment                     | (1,120)          | (831)            |
| Net cash generated from/(used in) investing activities        | 1,252            | (17,432)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                  |                  |
| Repayment of finance lease                                    | (994)            | (942)            |
| Repayment of term loan  | (24)             | (23)             |
| 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        | (1,018)          | 14,777           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>              | (5,719)          | (2,523)          |
| Effects of foreign exchange rates changes                     | (796)            | 358              |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>                 | 21,862           | 24,922           |
| <b>CASH AND CASH EQUIVALENTS AT END</b>                       | 15,347           | 22,757           |
| <b>Represented by:</b>  |                  |                  |
| Fixed deposits with licensed banks                            | 158              | 2,087            |
| Cash and bank balances  | 15,189           | 20,670           |
|   | 15,347           | 22,757           |

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.

|   | <b>9 months<br/>ended<br/>30.09.16<br/>(RM'000)</b> | <b>9 months<br/>ended<br/>30.09.15<br/>(RM'000)</b> |
|---|---|---|
| <b>Segment Revenue</b>                      |   |   |
| Contract manufacturing                      | 84,547  | 86,686  |
| Gaming                                      | 1,240   | 1,291   |
| Others                                      | 5,277   | 6,116   |
| Total revenue including inter-segment sales | <u>91,064</u>                                       | <u>94,093</u>                                       |
| Elimination of inter-segment sales          | <u>(5,277)</u>                                      | <u>(6,116)</u>                                      |
| Total revenue to external customers         | <u><b>85,787</b></u>                                | <u><b>87,977</b></u>                                |
|   | <b>9 months<br/>ended<br/>30.09.16<br/>(RM'000)</b> | <b>9 months<br/>ended<br/>30.09.15<br/>(RM'000)</b> |
| <b>Segment Results</b>                      |   |   |
| Contract manufacturing                      | 1,767   | (1,025)   |
| Gaming                                      | (428)   | 110   |
| Others                                      | 2,343   | 2,779   |
| Total results                               | <u>3,682</u>  | <u>1,864</u>  |
| Elimination                                 | <u>(3,000)</u>                                      | <u>(4,001)</u>                                      |
| Profit/(loss) before taxation               | <u>682</u>  | <u>(2,137)</u>                                      |
| Taxation                                    | <u>(806)</u>  | <u>(1,347)</u>                                      |
| Profit/(loss) for the year                  | <u><b>(124)</b></u>                                 | <u><b>(3,484)</b></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<br/>3 Months Ended</b> |  | <b>Cumulative Quarter<br/>9 Months Ended</b> |  |
|----------------------------------|--|--|--|--|
|                                  | <b>(Unaudited)<br/>30.09.16<br/>RM'000</b>   | <b>(Unaudited)<br/>30.09.15<br/>RM'000</b> | <b>(Unaudited)<br/>30.09.16<br/>RM'000</b>   | <b>(Unaudited)<br/>30.09.15<br/>RM'000</b> |
| Revenue                          | 29,073                                       | 27,676                                     | 85,787                                       | 87,977                                     |
| (Loss)/profit before<br>taxation | (463)  | (495)                                      | 682  | (2,137)                                    |

**Comparison with Corresponding Quarter in Previous Year**

The Group revenue has increased by RM1.4 million from RM27.7 million in previous year corresponding quarter to RM29.1 million in current quarter under review. This was mainly due to the increase in sales of hygiene products in Manufacturing sector.

The Group has recorded a loss before taxation (“LBT”) of RM0.5 million in both current quarter under review and previous year corresponding quarter. This was mainly due to the loss on foreign exchange and the factory relocation costs. The Group recorded an unrealised gain on foreign exchange of RM0.4 million in previous year corresponding quarter but an unrealised loss on foreign exchange of RM0.2 million in current quarter under review. The factory relocation costs incurred in current quarter under review was RM0.2 million.

The profit before taxation (“PBT”) in Gaming sector was RM0.1 million in both current quarter under review and previous year corresponding quarter.

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

The Group has recorded a revenue of RM85.8 million and RM88.0 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 RM0.7 million and LBT of RM2.1 million respectively in current reporting period and previous year corresponding period respectively. This was mainly due to the Group had discontinued certain non-viable business.



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

The Group has recorded a revenue and LBT of RM29.1 million and RM0.5 million respectively in current quarter under review as compared to revenue and PBT of RM31.6 million and RM1.9 million respectively in previous quarter. This was mainly due to the gain on disposal of property, plant and equipment of RM0.7 million in previous quarter and the increase of direct labour costs of RM0.6 million as a result of the increase in minimum wages in current quarter under review.

## 3. **Prospects**

With the current global geopolitical uncertainties, global growth is projected to be of a slower pace. The recent announcement by the Prime Minister of Malaysia on the direct foreign investment from China secured by Malaysian companies as well as the government is believed to be able to provide a catalytic effect to the local economy hence creating a strong local demand.

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<br>3 Months Ended |                                   | Cumulative Quarter<br>9 Months Ended |                                   |
|--|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
|  | (Unaudited)<br>30.09.16<br>RM'000    | (Unaudited)<br>30.09.15<br>RM'000 | (Unaudited)<br>30.09.16<br>RM'000    | (Unaudited)<br>30.09.15<br>RM'000 |
| Malaysian income tax:<br>Based on results for the<br>period: |                                      |                                   |                                      |                                   |
| - Current tax  | (121)                                | (234)                             | (806)                                | (660)                             |
| - Under provision in prior<br>year                           | -                                    | (687)                             | -                                    | (687)                             |
|  | <u>(121)</u>                         | <u>(921)</u>                      | <u>(806)</u>                         | <u>(1,347)</u>                    |

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<br>3 Months Ended |                                   | Cumulative Quarter<br>9 Months Ended |                                   |
|--|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
|  | (Unaudited)<br>30.09.16<br>RM'000    | (Unaudited)<br>30.09.15<br>RM'000 | (Unaudited)<br>30.09.16<br>RM'000    | (Unaudited)<br>30.09.15<br>RM'000 |
| Profit/(loss) before taxation is<br>arrived at after charging/<br>(crediting): |                                      |                                   |                                      |                                   |
| Depreciation   | 1,217                                | 1,405                             | 3,837                                | 4,044                             |
| Gain on disposal of property,<br>plant and equipment                           | (31)                                 | 23                                | (722)                                | (68)                              |
| Impairment of receivables  | -                                    | 144                               | -                                    | 144                               |
| Interest expense   | 41                                   | 55                                | 134                                  | 181                               |
| Interest income  | (46)                                 | (132)                             | (187)                                | (330)                             |
| Realised gain on foreign<br>exchange   | (97)                                 | (269)                             | (102)                                | (350)                             |
| Rental income  | (2)                                  | (14)                              | (10)                                 | (115)                             |
| Unrealised loss/(gain) on foreign<br>exchange                                  | 244                                  | (375)                             | 819                                  | (549)                             |

Other than the above items, there are 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:

The Board had on 4 October 2016 announced that there is no further material development since the signing of the Memorandum of Understanding with Citi-Champ International Limited dated 5 July 2016.

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 | 1,186         |
| Current     | 2,858         |
|             | <u>4,044</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>9 Months Ended</b>     |                 |
|   | <b>30.09.16</b>           | <b>30.09.15</b> | <b>30.09.16</b>           | <b>30.09.15</b> |
| (Loss)/income attributable to owners of the parent (RM'000) | (624)                     | (1,461)         | 47                        | (3,529)         |

|   | <b>Individual Quarter</b> |                       | <b>Cumulative Quarter</b> |                       |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
|   | <b>3 Months Ended</b>     | <b>3 Months Ended</b> | <b>9 Months Ended</b>     | <b>9 Months Ended</b> |
|   | <b>30.09.16</b>           | <b>30.09.15</b>       | <b>30.09.16</b>           | <b>30.09.15</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)            | -                         | 73,196                | -                         | 73,196                |
| Effect of shares issued pursuant to ICULS conversion ('000)             | -                         | 159                   | -                         | 159                   |
| Effect of shares issued pursuant to ESOS ('000)                         | -                         | 194                   | -                         | 194                   |
| Weighted average number of issued ordinary shares of RM0.10 each ('000) | 1,731,909                 | 1,647,871             | 1,731,909                 | 1,647,871             |
| Basic (loss)/earnings per share (sen)                                   | (0.04)                    | (0.09)                | 0.00                      | (0.21)                |

Based on the 30-days weighted average market price of share of Luster Industries Bhd. up to 30 September 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>30.09.16</b> | <b>31.12.15</b> |
|---|-----------------|-----------------|
|   | <b>RM'000</b>   | <b>RM'000</b>   |
| Total accumulated losses of the Company and its subsidiaries: |                 |                 |
| - Realised  | (36,272)        | (31,021)        |
| - Unrealised  | (2,918)         | (1,179)         |
|   | <u>(39,190)</u> | <u>(32,200)</u> |
| Less: Consolidation adjustments                               | 3,116           | (3,921)         |
| Total accumulated losses of the Group                         | <u>(36,074)</u> | <u>(36,121)</u> |

**BY ORDER OF THE BOARD**

**Liang Wooi Gee**

Deputy Managing Director

**Dated this 22nd day of November 2016**