

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

	Unaudited as at 31-Dec-16 RM'000	Audited as at 31-Dec-15 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	60,609	64,007
Goodwill on consolidation	8,592	25,251
	<u>69,201</u>	<u>89,258</u>
Current assets		
Property Development Costs	11,061	-
Inventories	12,550	13,719
Trade receivables	25,042	25,368
Other receivables, deposits and prepayments	11,509	13,859
Tax refundable	1,256	986
Fixed deposits with a licensed bank	4,281	7,369
Cash and bank balances	16,769	18,535
	<u>82,468</u>	<u>79,836</u>
Assets as held for sale	1,810	6,857
	<u>153,479</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	10,879	11,033
ICULS	473	473
Accumulated losses	(60,467)	(36,121)
	<u>125,027</u>	<u>149,527</u>
Non-controlling interests	861	1,646
Total equity	<u>125,888</u>	<u>151,173</u>
Non-current liabilities		
Borrowings	1,672	1,067
Deferred tax liabilities	1,162	2,100
	<u>2,834</u>	<u>3,167</u>
Current liabilities		
Trade payables	13,682	10,503
Other payables and accruals	7,798	7,536
Borrowings	2,946	3,193
Provision for taxation	331	379
	<u>24,757</u>	<u>21,611</u>
Total liabilities	<u>27,591</u>	<u>24,778</u>
TOTAL EQUITY AND LIABILITIES	<u>153,479</u>	<u>175,951</u>
Net assets per share (RM)	0.07	0.09

The notes set out on page 5 to 13 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 2016

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	31-Dec-16 RM'000	31-Dec-15 RM'000	31-Dec-16 RM'000	31-Dec-15 RM'000
Revenue	28,099	31,038	113,886	119,015
Cost of sales	<u>(27,093)</u>	<u>(25,794)</u>	<u>(101,039)</u>	<u>(104,936)</u>
Gross profit	1,006	5,244	12,847	14,079
Other expenses	(15,810)	(10,987)	(14,573)	(8,782)
Administration expenses	(9,731)	(6,156)	(21,102)	(17,995)
Distribution expenses	<u>(381)</u>	<u>(362)</u>	<u>(1,272)</u>	<u>(1,519)</u>
Results from operating activities	(24,916)	(12,261)	(24,100)	(14,217)
Finance costs	<u>(77)</u>	<u>(53)</u>	<u>(211)</u>	<u>(234)</u>
Loss before taxation	(24,993)	(12,314)	(24,311)	(14,451)
Taxation	<u>(185)</u>	<u>(1,334)</u>	<u>(991)</u>	<u>(2,681)</u>
Loss for the period	(25,178)	(13,648)	(25,302)	(17,132)
Other comprehensive loss:				
Exchange translation reserve	<u>189</u>	<u>1,652</u>	<u>17</u>	<u>852</u>
Total comprehensive loss for the period	(24,989)	(11,996)	(25,285)	(16,280)
Loss for the year attributable to:				
Owners of the parent	(24,564)	(14,339)	(24,517)	(17,868)
Non-controlling interests	<u>(614)</u>	<u>691</u>	<u>(785)</u>	<u>736</u>
	(25,178)	(13,648)	(25,302)	(17,132)
Total comprehensive loss attributable to:				
Owners of the parent	(24,375)	(12,687)	(24,500)	(17,016)
Non-controlling interests	<u>(614)</u>	<u>691</u>	<u>(785)</u>	<u>736</u>
	(24,989)	(11,996)	(25,285)	(16,280)
Basic loss per ordinary shares (sen)	<u>(1.42)</u>	<u>(0.86)</u>	<u>(1.42)</u>	<u>(1.07)</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 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	Non-controlling interests	Total equity
	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	-	-	-	-	-	17	(24,517)	(24,500)	(785)	(25,285)
<i>Transactions with owners :</i>										
Share-based payment transactions						(171)	171	-		-
Total transactions with owners	-	-	-	-	-	(171)	171	-	-	-
As at 31 December 2016	173,191	473	951	22,618	(22,618)	10,879	(60,467)	125,027	861	125,888
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	-	-	-	-	-	852	(17,868)	(17,016)	736	(16,280)
<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 31 December 2015	173,191	473	951	22,618	(22,618)	11,731	(36,654)	149,692	1,547	151,239

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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 31 DECEMBER 2016

	31-Dec-16	31-Dec-15
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(24,311)	(14,451)
Adjustments for:		
Depreciation	5,046	6,006
Gain on disposal of property, plant and equipment	(832)	(132)
Goodwill written off	16,659	12,137
Impairment loss on property, plant and equipment	1,480	960
Impairment loss on trade receivables	-	993
Interest expense	211	234
Interest income	(431)	(713)
Property, plant and equipment written off	204	167
Share-based compensation pursuant to ESOS granted	-	213
Unrealised loss/(gain) on foreign exchange	549	(935)
Operating (loss)/profit before working capital changes	(1,425)	4,479
Increase in property development costs	(11,061)	-
Decrease/(increase) in inventories	657	(474)
Decrease/(increase) in receivables	2,852	(6,474)
Increase in payables	3,340	4,508
Cash (used in)/ generated from operations	(5,637)	2,039
Income tax paid	(2,247)	(2,298)
Interest paid	(211)	(234)
Net cash used in operating activities	(8,095)	(493)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows on acquisition of a subsidiary	-	(17,105)
Interest received	431	713
Proceeds from disposal of property, plant and equipment	6,272	448
Purchase of property, plant and equipment	(2,039)	(2,357)
Net cash generated from/(used in) investing activities	4,664	(18,301)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bankers' acceptance	-	500
Repayment of finance lease	(1,283)	(1,385)
Repayment of term loan	(39)	(28)
Placement of fixed deposits	(78)	-
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	(1,400)	14,829
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,831)	(3,965)
Effects of foreign exchange rates changes	(613)	800
CASH AND CASH EQUIVALENTS AT BEGINNING	21,862	24,923
CASH AND CASH EQUIVALENTS AT END	16,418	21,758
Represented by:		
Fixed deposits with licensed banks	161	3,223
Cash and bank balances	16,769	18,535
	16,930	21,758

The notes set out on page 5 to 13 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.

	12 months ended 31.12.16 (RM'000)	12 months ended 31.12.15 (RM'000)
Segment Revenue		
Contract manufacturing	111,829	114,640
Gaming	2,057	4,327
Others	3,036	7,085
Total revenue including inter-segment sales	116,922	126,052
Elimination of inter-segment sales	(3,036)	(7,037)
Total revenue to external customers	113,886	119,015
	12 months ended 31.12.16 (RM'000)	12 months ended 31.12.15 (RM'000)
Segment Results		
Contract manufacturing	(2,636)	(1,353)
Gaming	(1,963)	1,879
Others	(3,053)	1,008
Total results	(7,652)	1,534
Elimination	(16,659)	(15,985)
Profit/(loss) before taxation	(24,311)	(14,451)
Taxation	(991)	(2,681)
Profit/(loss) for the year	(25,302)	(17,132)

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 12 Months Ended	
	(Unaudited) 31.12.16 RM'000	(Unaudited) 31.12.15 RM'000	(Unaudited) 31.12.16 RM'000	(Unaudited) 31.12.15 RM'000
Revenue	28,099	31,038	113,886	119,015
Loss before taxation	(24,993)	(12,314)	(24,311)	(14,451)

Comparison with Corresponding Quarter in Previous Year

The Group recorded a revenue of RM28.1 million and RM31.0 million respectively in current quarter under review and previous year corresponding quarter. This was mainly due to the reduction in sales to customers in machining services in Manufacturing sector.

The Group has recorded a loss before taxation (“LBT”) of RM25.0 million and RM12.3 million respectively in current quarter under review and previous year corresponding quarter. This was mainly due to the written off of goodwill on consolidation of RM16.7 million in current quarter under review as compared to RM12.1 million in previous year corresponding quarter. The LBT in current quarter under review also caused by the impairment loss on property, plant and equipment in manufacturing sector of RM1.5 million, the written off of mining deposit of RM2.5 million as the mining activities had temporary halt and the forfeiture of deposit for casino of RM1.7 million as the project was stopped in current quarter under review.

Comparison with Corresponding Financial Period To Date in Previous Year

The Group has recorded a revenue of RM113.9 million and RM119.0 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 LBT of RM24.3 million and RM14.5 million respectively in current reporting period and previous year corresponding period respectively. This was mainly due to the written off of goodwill on consolidation, impairment loss on property, plant and equipment in manufacturing sector, the written off of mining deposit and the forfeiture of deposit for casino abovementioned.

2. Variation of results against preceding quarter

The Group has recorded a revenue and LBT of RM28.1 million and RM25.0 million respectively in current quarter under review as compared to revenue and LBT of RM29.1 million and RM0.5 million respectively in previous quarter. . This was mainly due to the written off of goodwill on consolidation, impairment loss on property, plant and equipment in manufacturing sector, the written off of mining deposit and the forfeiture of deposit for casino abovementioned.

3. Prospects

With the current global geopolitical uncertainties, global growth is projected to be of a slower pace in 2017.

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.

The affordable home project in Perak has commenced construction and is expected to be completed in 2017. 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 2017.

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		12 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.12.16	31.12.15	31.12.16	31.12.15
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax: Based on results for the period:				
- Current tax	(799)	(854)	(1,605)	(1,514)
- Deferred tax relating to the origination and reversal of temporary differences	938	(494)	938	(494)
	139	(1,348)	(667)	(2,008)
(Under)/ over provision in prior year:				
- Current tax	(324)	14	(324)	(673)
- Deferred tax	-	-	-	-
	(324)	14	(324)	(673)
	(185)	(1,334)	(991)	(2,681)

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		12 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.12.16	31.12.15	31.12.16	31.12.15
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation is arrived at after charging/ (crediting):				
Depreciation	1,209	1,962	5,046	6,006
Gain on disposal of property, plant and equipment	(110)	(64)	(832)	(132)
Goodwill written off	16,659	12,137	16,659	12,137
Impairment of property, plant and equipment	1,480	960	1,480	960
Impairment of receivables	-	993	-	993

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		12 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.12.16	31.12.15	31.12.16	31.12.15
	RM'000	RM'000	RM'000	RM'000
Interest expense	77	53	211	234
Interest income	(244)	(383)	(431)	(713)
Property, plant and equipment written off	204	167	204	167
Realised loss/(gain) on foreign exchange	150	(248)	48	(598)
Rental income	(1)	7	(11)	(108)
Unrealised (gain)/loss on foreign exchange	(269)	(386)	549	(935)

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:

The Board had on 1 December 2016 announced that the Company had on the even date terminated the Memorandum of Understanding with Citi-Champ International Limited dated 5 July 2016 with immediate effect.

8. **Borrowings and debts securities**

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

	RM'000
Non-current	1,672
Current	2,946
	<u>4,618</u>

The above borrowings are secured and denominated in Ringgit Malaysia.

12. **Realised and unrealised accumulated losses**

	31.12.16	31.12.15
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(45,827)	(12,421)
- Unrealised	(1,711)	(1,851)
	<u>(47,538)</u>	<u>(14,272)</u>
Less: Consolidation adjustments	(12,929)	(22,382)
Total accumulated losses of the Group	<u>(60,467)</u>	<u>(36,654)</u>

BY ORDER OF THE BOARD

Liang Wooi Gee

Deputy Managing Director

Dated this 28th day of February 2017