



LUSTER INDUSTRIES BHD

(156148-P)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2017**

LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

| | Unaudited as at 31-Dec-17 RM'000 | Audited as at 31-Dec-16 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant & equipment | 58,429 | 60,609 |
| Goodwill on consolidation | 8,592 | 8,592 |
| | <u>67,021</u> | <u>69,201</u> |
| Current assets | | |
| Property Development Costs | 11,616 | 9,895 |
| Inventories | 12,852 | 12,550 |
| Gross amount due from customers | 63 | - |
| Trade receivables | 42,735 | 25,042 |
| Other receivables, deposits and prepayments | 32,716 | 12,634 |
| Tax refundable | 1,447 | 1,257 |
| Fixed deposits with a licensed bank | 1,389 | 4,281 |
| Cash and bank balances | 17,837 | 16,769 |
| | <u>120,655</u> | <u>82,428</u> |
| Assets as held for sale | - | 1,810 |
| | <u>187,676</u> | <u>153,439</u> |
| TOTAL ASSETS | | |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 201,530 | 173,191 |
| ICULS | - | 473 |
| Other reserves | (46,464) | (48,837) |
| | <u>155,066</u> | <u>124,827</u> |
| Non-controlling interests | 1,025 | 869 |
| Total equity | <u>156,091</u> | <u>125,696</u> |
| Non-current liabilities | | |
| Borrowings | 1,384 | 1,672 |
| Deferred tax liabilities | 1,103 | 1,367 |
| | <u>2,487</u> | <u>3,039</u> |
| Current liabilities | | |
| Trade payables | 23,382 | 13,642 |
| Other payables and accruals | 4,715 | 7,759 |
| Borrowings | 787 | 2,946 |
| Provision for taxation | 214 | 357 |
| | <u>29,098</u> | <u>24,704</u> |
| Total liabilities | <u>31,585</u> | <u>27,743</u> |
| TOTAL EQUITY AND LIABILITIES | <u>187,676</u> | <u>153,439</u> |
| Net assets per share (RM) | 0.08 | 0.07 |

The notes set out on page 5 to 17 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 12 MONTHS PERIOD ENDED 31 DECEMBER 2017

| | INDIVIDUAL QUARTER ENDED | | CUMULATIVE QUARTER TO DATE | |
|---|-----------------------------|---------------------|-------------------------------|---------------------|
| | 31-Dec-17 RM'000 | 31-Dec-16 RM'000 | 31-Dec-17 RM'000 | 31-Dec-16 RM'000 |
| Revenue | 36,533 | 28,099 | 140,738 | 113,886 |
| Cost of sales | <u>(30,574)</u> | <u>(27,093)</u> | <u>(119,115)</u> | <u>(101,039)</u> |
| Gross profit | 5,959 | 1,006 | 21,623 | 12,847 |
| Other income/(expenses) | 119 | (15,810) | 427 | (14,573) |
| Administration expenses | (3,898) | (9,731) | (14,072) | (21,102) |
| Distribution expenses | <u>(168)</u> | <u>(381)</u> | <u>(880)</u> | <u>(1,272)</u> |
| Results from operating activities | 2,012 | (24,916) | 7,098 | (24,100) |
| Finance costs | <u>(39)</u> | <u>(77)</u> | <u>(197)</u> | <u>(211)</u> |
| Profit/(loss) before taxation | 1,973 | (24,993) | 6,901 | (24,311) |
| Taxation | <u>(753)</u> | <u>(185)</u> | <u>(1,661)</u> | <u>(991)</u> |
| Profit/(loss) for the period | 1,220 | (25,178) | 5,240 | (25,302) |
| Other comprehensive income/(loss): | | | | |
| Exchange translation reserve | <u>(104)</u> | 189 | <u>(234)</u> | 17 |
| Total comprehensive income/(loss) for the period | 1,116 | (24,989) | 5,006 | (25,285) |
| Income/(loss) for the year attributable to: | | | | |
| Owners of the parent | 1,213 | (24,564) | 5,084 | (24,517) |
| Non-controlling interests | <u>7</u> | <u>(614)</u> | <u>156</u> | <u>(785)</u> |
| | 1,220 | (25,178) | 5,240 | (25,302) |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the parent | 1,151 | (24,451) | 4,944 | (24,507) |
| Non-controlling interests | <u>(35)</u> | <u>(538)</u> | <u>62</u> | <u>(778)</u> |
| | 1,116 | (24,989) | 5,006 | (25,285) |
| Basic earning/(loss) per ordinary share (sen) | <u>0.06</u> | <u>(1.42)</u> | <u>0.27</u> | <u>(1.42)</u> |
| Diluted earnings per ordinary share (sen) | <u>0.05</u> | N/A | <u>0.20</u> | N/A |

The notes set out on page 5 to 17 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 12 MONTHS PERIOD ENDED 31 DECEMBER 2017

| | ----- Attributable to owners of the parent ----- | | | | | | | | | | | |
|---|--|--------|---------------|--------------------------------------|-----------------|--------------------|--------------|-----------------|--------------------|----------------|---------------------------|----------------|
| | ----- Non-distributable ----- | | | | | | | | | | | |
| | Share capital | ICULS | Share premium | Foreign currency translation reserve | Warrant reserve | Discount on shares | ESOS reserve | Capital reserve | 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 | RM'000 | RM'000 |
| As at 1 January 2017 | 173,191 | 473 | 951 | 862 | 22,618 | (22,618) | 1,590 | 8,420 | (60,660) | 124,827 | 869 | 125,696 |
| Total comprehensive income for the period | - | - | - | (234) | - | - | - | - | 5,084 | 4,850 | 156 | 5,006 |
| <i>Transactions with owners :</i> | | | | | | | | | | | | |
| Issuance of shares pursuant to ICULS conversion | 473 | (473) | | | | | | | | - | | - |
| Issuance of shares pursuant to placement | 18,852 | | | | | | | | | 18,852 | | 18,852 |
| Issuance of shares pursuant to ESOS | 6,537 | | | | | | | | | 6,537 | | 6,537 |
| Transfer upon exercise of ESOS | 1,526 | | | | | | (1,526) | | | - | | - |
| Transfer upon expiry of ESOS | | | | | | | (64) | | 64 | - | | - |
| Total transactions with owners | 27,388 | (473) | - | - | - | - | (1,590) | - | 64 | 25,389 | - | 25,389 |
| Transfer in accordance with S618(2) of CA 2016* | 951 | - | (951) | - | - | - | - | - | - | - | - | - |
| As at 31 December 2017 | 201,530 | - | - | 628 | 22,618 | (22,618) | - | 8,420 | (55,512) | 155,066 | 1,025 | 156,091 |
| As at 1 January 2016 | 173,191 | 473 | 951 | 852 | 22,618 | (22,618) | 1,761 | 8,420 | (36,121) | 149,527 | 1,646 | 151,173 |
| Total comprehensive income for the period | - | - | - | 17 | - | - | - | - | (24,517) | (24,500) | (785) | (25,285) |
| As at 31 December 2016 | 173,191 | 473 | 951 | 869 | 22,618 | (22,618) | 1,761 | 8,420 | (60,638) | 125,027 | 861 | 125,888 |

* Pursuant to Section 618(2) of the Companies Act 2016 (CA 2016), any outstanding share premium shall become part of share capital. Included in share capital is share premium amounting to RM951,186 is available to be utilised in accordance with Section 618(3) of CA 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

The notes set out on page 5 to 17 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 12 MONTHS PERIOD ENDED 31 DECEMBER 2017

| | 31-Dec-17 | 31-Dec-16 |
|---|------------------|------------------|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before taxation | 6,901 | (24,311) |
| Adjustments for: | | |
| Depreciation | 4,996 | 5,046 |
| Gain on disposal of property, plant and equipment | (330) | (832) |
| Goodwill written off | - | 16,659 |
| Impairment loss on deposits and prepayments | - | 4,156 |
| Impairment loss on property, plant and equipment | - | 1,480 |
| Interest expense | 197 | 211 |
| Interest income | (510) | (431) |
| Property, plant and equipment written off | - | 204 |
| Unrealised loss on foreign exchange | 967 | 549 |
| Operating profit before working capital changes | <u>12,221</u> | 2,731 |
| Increase in property development costs | (1,721) | (11,061) |
| (Increase)/decrease in inventories | (303) | 1,169 |
| Increase in contract customer | (63) | - |
| Increase in receivables | (38,264) | (1,304) |
| Increase in payables | <u>6,733</u> | <u>3,340</u> |
| Cash used in operations | (21,397) | (5,125) |
| Income tax paid | (2,258) | (2,247) |
| Interest paid | <u>(197)</u> | <u>(211)</u> |
| Net cash used in operating activities | <u>(23,852)</u> | <u>(7,583)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 502 | 431 |
| Proceeds from disposal of property, plant and equipment | 2,413 | 6,272 |
| Purchase of property, plant and equipment | (2,238) | (2,039) |
| Net cash generated from investing activities | <u>677</u> | <u>4,664</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of finance lease | (1,277) | (1,283) |
| Repayment of bankers' acceptance | (2,000) | - |
| Repayment of term loan | - | (39) |
| Placement of fixed deposits | - | (78) |
| Proceeds from issuance of shares pursuant to placement | 18,852 | - |
| Proceeds from issuance of shares pursuant to ESOS | 6,537 | - |
| Withdrawal of fixed deposits | 2,868 | - |
| Net cash generated from/(used in) financing activities | <u>24,980</u> | <u>(1,400)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | <u>1,805</u> | <u>(4,319)</u> |
| Effects of foreign exchange rates changes | (769) | (613) |
| CASH AND CASH EQUIVALENTS AT BEGINNING | <u>16,921</u> | <u>21,862</u> |
| CASH AND CASH EQUIVALENTS AT END | <u>17,957</u> | <u>16,930</u> |
| Represented by: | | |
| Fixed deposits with licensed banks | 120 | 161 |
| Cash and bank balances | <u>17,837</u> | <u>16,769</u> |
| | <u>17,957</u> | <u>16,930</u> |

The notes set out on page 5 to 17 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 2016.

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 2016, except for the adoption of the following Financial Reporting Standards (“FRS”), amendments to FRSs and Issues Committee Interpretations (“IC Interpretations”).

Effective for annual periods beginning on or after 1 January 2018

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

MFRS 15 Revenue from Contracts with Customers

Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures

Amendments to MFRS 140 Investment Property: Transfer of Investment Property
Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Effective date yet to be confirmed

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption except MFRS 9 Financial Instruments, MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases of which the Group is currently assessing the financial impact.

3. Auditors' qualification of preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not qualified.

4. Seasonality or cyclicity factors

The operations of the Group are subjected to seasonal orders throughout the financial year.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

6. Changes in accounting estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the current quarter and financial period to date results.

7. Changes in debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review and financial year to date other than the followings:-

- a. the issuance of 4,734,600 new ordinary shares pursuant to the conversion of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") during the financial year to date;
- b. the issuance of 65,006,000 new ordinary shares pursuant to the Employees Shares Option Scheme ("ESOS") during the financial year to date; and
- c. the issuance of 174,385,500 new ordinary shares pursuant to the private placement during the financial year to date.

8. Dividend paid

No dividend was paid during the current quarter under review.

9. Segmental information

Segmental information is presented in respect of the Group's business segments.

| | 12 months ended 31.12.17 (RM'000) | 12 months ended 31.12.16 (RM'000) |
|---|--|--|
| Segment Revenue | | |
| Manufacturing | 111,292 | 111,829 |
| Gaming & leisure | 4,347 | 2,057 |
| Property development & construction | 25,099 | - |
| Others | 876 | 3,036 |
| Total revenue including inter-segment sales | <u>141,614</u> | <u>116,922</u> |
| Elimination of inter-segment sales | <u>(876)</u> | <u>(3,036)</u> |
| Total revenue to external customers | <u><u>140,738</u></u> | <u><u>113,886</u></u> |
| | 12 months ended 31.12.17 (RM'000) | 12 months ended 31.12.16 (RM'000) |
| Segment Results | | |
| Manufacturing | 4,923 | (2,636) |
| Gaming & leisure | 619 | (1,963) |
| Property development & construction | 1,643 | (287) |
| Others | 937 | (2,766) |
| Total results | <u>8,122</u> | <u>(7,652)</u> |
| Elimination | <u>(1,221)</u> | <u>(16,659)</u> |
| Profit before taxation | <u>6,901</u> | <u>(24,311)</u> |
| Taxation | <u>(1,646)</u> | <u>(991)</u> |
| Profit for the year | <u><u>5,240</u></u> | <u><u>(25,302)</u></u> |
| | As at 31.12.17 (RM'000) | As at 31.12.16 (RM'000) |
| Segment Assets | | |
| Manufacturing | 144,705 | 132,269 |
| Gaming & leisure | 3,324 | 3,090 |
| Property development & construction | 56,250 | 11,165 |
| Others | 163,349 | 162,653 |
| Total assets including inter-segment assets | <u>367,698</u> | <u>309,177</u> |
| Elimination of inter-segment assets | <u>(180,022)</u> | <u>(155,698)</u> |
| Total assets | <u><u>187,676</u></u> | <u><u>153,479</u></u> |

| | As at 31.12.17 (RM'000) | As at 31.12.16 (RM'000) |
|---|--|--|
| Segment Liabilities | | |
| Manufacturing | 41,766 | 33,201 |
| Gaming & leisure | 763 | 914 |
| Property development & construction | 53,851 | 10,589 |
| Others | 10,401 | 18,668 |
| Total liabilities including inter-segment liabilities | <u>106,781</u> | <u>63,372</u> |
| Elimination of inter-segment liabilities | <u>(75,196)</u> | <u>(35,629)</u> |
| Total liabilities | <u><u>31,585</u></u> | <u><u>27,743</u></u> |

Information about the Group's assets and liabilities by locations are detailed below:

| | As at 31.12.17 (RM'000) | As at 31.12.16 (RM'000) |
|----------------------------|--|--|
| Segment Assets | | |
| Malaysia | 184,352 | 150,389 |
| Cambodia | 3,324 | 3,090 |
| Total assets | <u><u>187,676</u></u> | <u><u>153,479</u></u> |
| Segment Liabilities | | |
| Malaysia | 31,106 | 27,137 |
| Cambodia | 479 | 606 |
| Total liabilities | <u><u>31,585</u></u> | <u><u>27,743</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 2016.

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 except the following:

The Company had on 20 December 2017 disposed a 70% owned subsidiary company named Luster Seweon Sdn Bhd.

13. **Changes in contingent liabilities and contingent assets**

There were no material contingent liabilities and assets as at the date of this Report.

14. **Commitments**

There were no material commitments as at the end of the current quarter except the following:

| | RM'000 |
|--|---------------|
| The balance commitments payable pursuant to: | |
| - Tripartite Agreement | <u>3,710</u> |

Part B - Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad

1. Review of performance

Comparison with Corresponding Quarter in Previous Year

| | Individual Quarter 3 Months Ended | | Changes % |
|--|--|--|----------------------|
| | (Unaudited) 31.12.17 RM'000 | (Unaudited) 31.12.16 RM'000 | |
| | Revenue | 36,533 | |
| Results from operating activities | 2,012 | (24,916) | 108.08 |
| Profit/(loss) before taxation | 1,973 | (24,993) | 107.89 |
| Profit/(loss) after taxation | 1,220 | (25,178) | 104.85 |
| Profit/(loss) attributable to owners of the parent | 1,213 | (24,564) | 104.94 |

The Group recorded a revenue and profit before taxation (PBT) of RM36.5 million and RM2.0 million respectively in current quarter under review. The revenue and loss before taxation (LBT) recorded in previous year corresponding quarter were RM28.1 million and RM25.0 million respectively. This was mainly due to the written off of the goodwill on consolidation of RM16.7 million, the impairment loss on property, plant and equipment in manufacturing segment of RM1.5 million, the impairment loss on the mining deposit of RM2.5 million and the impairment loss on deposits and prepaid expenses in relation to the casino project of RM1.7 million in previous year corresponding quarter.

The manufacturing segment has recorded a revenue of RM24.6 million in current quarter under review as compared to RM27.3 million in previous year corresponding quarter mainly due to the reduction in sales to automotive industry. Manufacturing segment has recorded a PBT of RM0.9 million in current quarter under review. The LBT of RM4.4 million in previous year corresponding quarter was mainly due to the impairment loss on property, plant and equipment abovementioned in previous year corresponding quarter.

The gaming & leisure segment recorded a higher revenue of RM1.3 million in current quarter under review as compared to RM0.8 million in previous year corresponding quarter mainly due to the expansion into more provinces in Cambodia. Gaming & leisure segment has recorded a PBT of RM0.3 million in current quarter under review as compared to a LBT of RM1.5 million in previous year. This is mainly due to the impairment loss on deposits and prepaid expenses in relation to the casino project abovementioned in previous year corresponding quarter.

The Group has recorded a revenue of RM10.7 million in property development & construction segment in current quarter under review. The revenue is generated from

the construction project in Kota Baru awarded on 10 March 2017. Property development & construction segment has recorded a PBT of RM1.1 million in current quarter under review.

Comparison with Corresponding Financial Period To Date in Previous Year

| | Cumulative Quarter 12 Months Ended | | |
|--|---|--|----------------------|
| | (Unaudited) 31.12.17 RM'000 | (Unaudited) 31.12.16 RM'000 | Changes % |
| | Revenue | 140,738 | 113,886 |
| Results from operating activities | 7,098 | (24,100) | 129.45 |
| Profit before taxation | 6,901 | (24,311) | 128.39 |
| Profit/(loss) after taxation | 5,240 | (25,302) | 120.71 |
| Profit/(loss) attributable to owners of the parent | 5,084 | (24,517) | 120.74 |

The Group has recorded a revenue and PBT of RM140.7 million and RM6.9 million respectively in current reporting period with profit mainly generated from its OEM customers in the manufacturing segment. Property development & construction as well as gaming & leisure segments had also contributed to the positive bottom line. The revenue and LBT was RM113.9 million and RM24.3 million respectively in previous year corresponding period was mainly due to the written off of the goodwill on consolidation, the impairment loss on property, plant and equipment in manufacturing segment, the impairment loss on the mining deposit of and the impairment loss on deposits and prepaid expenses in relation to the casino project.

2. Variation of results against preceding quarter

| | Individual Quarter 3 Months Ended | | |
|---|--|--|----------------------|
| | (Unaudited) 31.12.17 RM'000 | (Unaudited) 30.09.17 RM'000 | Changes % |
| | Revenue | 36,533 | 40,087 |
| Results from operating activities | 2,012 | 696 | 189.08 |
| Profit before taxation | 1,973 | 648 | 204.48 |
| Profit after taxation | 1,220 | 172 | 609.30 |
| Profit attributable to owners of the parent | 1,213 | 110 | 1,002.73 |

The Group has recorded a revenue of RM36.5 million in current quarter under review as compared to a revenue of RM40.1 million in previous quarter. PBT had increased from RM0.6 million in previous quarter to RM2.0 million in current quarter under review mainly due to the rework incurred and the lower production yield in previous quarter.

3. **Prospects**

The Company will continue to rationalise the manufacturing business and will further focus on developing the medical sector as well as continue to explore further business opportunity with existing customers and continue to further enhance the design and Research & Development capabilities. The Company had on 06 February 2018 signed a manufacturing contract with Polytech SRL, a member of PERI Group, to produce the DUO formwork system. Luster will be the third manufacturing facility in the world, with the other two located in Italy and India. The Board is optimistic that the new contract awarded will contribute positively to the Group results.

In property development & construction segment, the infrastructure work in Pengkalan Hulu has started and expected to be completed in Q3 2018. As for Kota Baru project, the project is expected to be completed in Q2 2018. The pre-launch of the marketing activities for Seberang Perai Utara project has started. The Board believes that the property development & construction segment has a great potential to grow especially with the current demand for affordable housing. The Board believes that this segment will enhance the revenue and profitability of the Group.

Pan Cambodian Lottery Corporation Limited (PCL), a 60% owned subsidiary of LIB has expanded into other provinces in Cambodia to further enlarge their sales network. The Group is also looking at strategy to increase the number of the digit game products. As for the plan to establish a gaming entertainment center, PCL is looking at the option of leasing the land and building and is currently in the process of discussion with several gaming operators.

In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in the financial year 2018.

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) |
| | 31.12.17 | 31.12.16 | 31.12.17 | 31.12.16 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax: | | | | |
| Based on results for the period: | | | | |
| - Current tax | (1,015) | (799) | (1,923) | (1,605) |
| - Deferred tax | 50 | 938 | 50 | 938 |
| | (965) | 139 | (1,873) | (667) |
| (Under)/over provision in prior year: | | | | |
| - Current tax | (2) | (324) | (2) | (324) |
| - Deferred tax | 214 | - | 214 | - |
| | 212 | (324) | 212 | (324) |
| | (753) | (185) | (1,661) | (991) |

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) |
| | 31.12.17 | 31.12.16 | 31.12.17 | 31.12.16 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(loss) before taxation is arrived at after charging/(crediting): | | | | |
| Depreciation | 1,270 | 1,209 | 4,996 | 5,046 |
| Loss/(gain) on disposal of property, plant and equipment | 189 | (110) | (330) | (832) |
| Goodwill written off | - | 16,659 | - | 16,659 |
| Impairment loss on deposits and prepayments | - | 4,156 | - | 4,156 |
| Impairment loss on property, plant and equipment | - | 1,480 | - | 1,480 |
| Interest expense | 39 | 77 | 197 | 211 |
| Interest income | (209) | (244) | (510) | (431) |
| Property, plant and equipment written off | - | 204 | - | 204 |
| Realised loss on foreign exchange | 59 | 150 | 432 | 48 |
| Rental income | (11) | (1) | (21) | (11) |
| Unrealised loss/(gain) on foreign exchange | 290 | (269) | 967 | 549 |

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

The Company had on 18 April 2017 and 9 May 2017 issued 76,000,000 and 98,385,500 new ordinary shares respectively to fund the working capital of the Group and the defray corporate exercise related expenses. The status of the utilization of the total proceeds of RM7,980,000.00 and RM10,871,597.75 respectively from private placement exercise are as follows:

| Purpose | Proposed Utilisation | Actual Utilisation | Intended Timeframe for Utilisation | Deviation Amount | Explanations (if the deviation is 5% or more) |
|-------------------------------------|-----------------------------|---------------------------|---|-------------------------|--|
| | RM'000 | RM'000 | | | |
| Property development expenditure | 10,000 | 6,191 | Within 12 months | - | - |
| Working Capital | 8,728 | 8,728 | Within 12 months | - | - |
| Expenses for the Corporate Exercise | 124 | 124 | Within 2 weeks | - | - |
| | 18,852 | 15,043 | | | |

Note:

Surplus from the expenses for the corporate exercise is adjusted accordingly to working capital.

8. Borrowings and debts securities

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

As at quarter ended 31.12.17

| | Non-Current RM'000 | Current RM'000 | Total RM'000 |
|---------------------------|-------------------------------|---------------------------|-------------------------|
| Secured | | | |
| Finance lease liabilities | 1,384 | 787 | 2,171 |

As at quarter ended 31.12.16

| | Non-Current RM'000 | Current RM'000 | Total RM'000 |
|---------------------------|-------------------------------|---------------------------|-------------------------|
| Secured | | | |
| Bankers acceptance | - | 2,000 | 2,000 |
| Finance lease liabilities | 1,672 | 946 | 2,618 |
| Total | <u>1,672</u> | <u>2,946</u> | <u>4,618</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 except the followings:

Luster Industries Bhd Vs Citi-Champ International Limited & 4 Others

The Company had on 13 June 2017, filed a Statement of Claim at the High Court of Malaya at Shah Alam, through the Company's solicitors, Messrs YC Wong to pursue legal action against:-

Citi-Champ International Limited (as 1st Defendant);
How Soong Khong (as 2nd Defendant);
Yap Yoke Chuan (as 3rd Defendant);
Yap Kean Kok (as 4th Defendant)
Yew Ding Wei (Practising as Ding Partnership)(as 5th Defendant)
[collectively the "Defendants"]

The High Court has fixed trial dates for the suit on 30 May to 1 June 2018, and 4 June 2018.

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 | | 12 Months Ended | |
| | 31.12.17 | 31.12.16 | 31.12.17 | 31.12.16 |
| Income/(loss) attributable to owners of the parent (RM'000) | 1,213 | (24,564) | 5,084 | (24,517) |
| | | | | |
| | Individual Quarter | | Cumulative Quarter | |
| | 3 Months Ended | | 12 Months Ended | |
| | 31.12.17 | 31.12.16 | 31.12.17 | 31.12.16 |
| Adjusted number of issued ordinary shares ('000) | 1,731,909 | 1,731,909 | 1,731,909 | 1,731,909 |
| Effect of shares issued pursuant to ICULS conversion ('000) | 2,729 | - | 2,729 | - |
| Effect of shares issued pursuant to ESOS ('000) | 41,923 | - | 41,923 | - |
| Effect of shares issued pursuant to private placement ('000) | 118,413 | - | 118,413 | - |
| Weighted average number of issued ordinary shares ('000) | 1,894,974 | 1,731,909 | 1,894,974 | 1,731,909 |
| | | | | |
| Basic earnings/(loss) per share (sen) | 0.06 | (1.42) | 0.27 | (1.42) |

The diluted earnings per share for the current quarter and cumulative period to date are computed as below:

| | Individual Quarter | | Cumulative Quarter | |
|--|---------------------------|-----------------|---------------------------|-----------------|
| | 3 Months Ended | | 12 Months Ended | |
| | 31.12.17 | 31.12.16 | 31.12.17 | 31.12.16 |
| Profit attributable to owners of the parent (RM'000) | 1,213 | ^ | 5,084 | ^ |
| | | | | |
| | Individual Quarter | | Cumulative Quarter | |
| | 3 Months Ended | | 12 Months Ended | |
| | 31.12.17 | 31.12.16 | 31.12.17 | 31.12.16 |
| Weighted average number of issued ordinary shares each ('000) | 1,894,974 | ^ | 1,894,974 | ^ |
| Adjustments for dilutive effect on exercise of: | | | | |
| - Warrants A ('000) | 441,595 | ^ | 441,595 | ^ |
| - Warrants B ('000) | 216,000 | ^ | 216,000 | ^ |
| Adjusted weighted average number of issued ordinary shares of ('000) | 2,552,569 | ^ | 2,552,569 | ^ |
| | | | | |
| Diluted earnings per share (sen) | 0.05 | ^ | 0.20 | ^ |

^ Based on the 30-days weighted average market price of share of Luster Industries Bhd. up to 31 December 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

| | 31.12.17 | 31.12.16 |
|---|-----------------|-----------------|
| | RM'000 | RM'000 |
| Total accumulated losses of the Company and its subsidiaries: | | |
| - Realised | (56,237) | (62,640) |
| - Unrealised | (2,070) | (1,120) |
| | <u>(58,307)</u> | <u>(63,760)</u> |
| Less: Consolidation adjustments | 2,795 | 3,099 |
| Total accumulated losses of the Group | <u>(55,512)</u> | <u>(60,661)</u> |

BY ORDER OF THE BOARD

Liang Wooi Gee

Deputy Managing Director

Dated this 28th day of February 2018