



LUSTER INDUSTRIES BHD

(156148-P)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

LUSTER INDUSTRIES BHD.
Company No. 156148-P
(Incorporated in Malaysia)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Unaudited as at 31-Dec-18 RM'000	Audited as at 31-Dec-17 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	54,436	58,429
Deferred tax assets	4,565	-
Goodwill on consolidation	7,754	8,592
	<u>66,755</u>	<u>67,021</u>
Current assets		
Gross amount due from customers	9,683	63
Property Development Costs	19,189	11,607
Inventories	17,651	12,852
Trade receivables	34,404	41,868
Other receivables, deposits and prepayments	35,054	34,105
Tax refundable	1,693	1,398
Fixed deposits with a licensed bank	3,827	1,389
Cash and bank balances	20,972	17,828
	<u>142,473</u>	<u>121,110</u>
TOTAL ASSETS	<u>209,228</u>	<u>188,131</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	201,529	201,529
Other reserves	(32,886)	(46,519)
	<u>168,643</u>	<u>155,010</u>
Non-controlling interests	148	932
Total equity	<u>168,791</u>	<u>155,942</u>
Non-current liabilities		
Borrowings	1,233	1,379
Deferred tax liabilities	1,209	1,183
	<u>2,442</u>	<u>2,562</u>
Current liabilities		
Gross amount due to customers	542	-
Trade payables	24,189	21,954
Other payables and accruals	7,375	6,679
Borrowings	5,749	775
Provision for taxation	140	219
	<u>37,995</u>	<u>29,627</u>
Total liabilities	<u>40,437</u>	<u>32,189</u>
TOTAL EQUITY AND LIABILITIES	<u>209,228</u>	<u>188,131</u>
Net assets per share (RM)	0.08	0.08

The notes set out on page 5 to 18 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 2018

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	31-Dec-18 RM'000	31-Dec-17 RM'000	31-Dec-18 RM'000	31-Dec-17 RM'000
Revenue	37,213	36,533	174,438	140,738
Cost of sales	<u>(30,241)</u>	<u>(30,574)</u>	<u>(144,715)</u>	<u>(119,115)</u>
Gross profit	6,972	5,959	29,723	21,623
Other income	270	119	601	427
Administration expenses	(5,884)	(3,898)	(19,154)	(14,072)
Distribution expenses	<u>(190)</u>	<u>(168)</u>	<u>(874)</u>	<u>(880)</u>
Results from operating activities	1,168	2,012	10,296	7,098
Finance costs	<u>(106)</u>	<u>(39)</u>	<u>(225)</u>	<u>(197)</u>
Profit before taxation	1,062	1,973	10,071	6,901
Taxation	<u>4,665</u>	<u>(753)</u>	<u>2,705</u>	<u>(1,661)</u>
Profit for the period	5,727	1,220	12,776	5,240
Other comprehensive income:				
Exchange translation reserve	<u>9</u>	<u>(104)</u>	<u>73</u>	<u>(234)</u>
Total comprehensive income for the period	<u>5,736</u>	<u>1,116</u>	<u>12,849</u>	<u>5,006</u>
Income for the year attributable to:				
Owners of the parent	5,718	1,213	12,652	5,084
Non-controlling interests	<u>9</u>	<u>7</u>	<u>124</u>	<u>156</u>
	<u>5,727</u>	<u>1,220</u>	<u>12,776</u>	<u>5,240</u>
Total comprehensive income attributable to:				
Owners of the parent	5,726	1,151	12,721	4,944
Non-controlling interests	<u>9</u>	<u>(35)</u>	<u>128</u>	<u>62</u>
	<u>5,736</u>	<u>1,116</u>	<u>12,849</u>	<u>5,006</u>
Basic earning per ordinary share (sen)	<u>0.29</u>	<u>0.06</u>	<u>0.64</u>	<u>0.27</u>
Diluted earnings per ordinary share (sen)	<u>NA</u>	<u>0.05</u>	<u>NA</u>	<u>0.20</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 12 MONTHS PERIOD ENDED 31 DECEMBER 2018

	----- Attributable to owners of the parent -----										
	----- Non-distributable -----										
	Share capital RM'000	ICULS RM'000	Foreign currency translation reserve RM'000	Warrant reserve RM'000	Discount on shares RM'000	ESOS reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
As at 1 January 2018	201,529	-	722	22,618	(22,618)	-	8,420	(55,661)	155,010	932	155,942
Total comprehensive income for the period	-	-	38	-	-	-	-	12,652	12,690	159	12,849
<i>Transactions with owners :</i>											
Acquisition from non-controlling interests								943	943	(943)	-
As at 31 December 2018	201,529	-	760	22,618	(22,618)	-	8,420	(42,066)	168,643	148	168,791
As at 1 January 2017	174,142	473	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
As at 31 December 2017	201,530	-	628	22,618	(22,618)	-	8,420	(55,512)	155,066	1,025	156,091

The notes set out on page 5 to 18 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 2018

	31-Dec-18 RM'000	31-Dec-17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,071	6,901
Adjustments for:		
Bad debts recovered	(20)	-
Depreciation	5,106	4,996
Gain on disposal of property, plant and equipment	(960)	(330)
Impairment loss on goodwill on consolidation	838	-
Impairment loss on inventories	408	-
Interest expense	225	197
Interest income	(213)	(510)
Unrealised (gain)/loss on foreign exchange	127	967
Operating profit before working capital changes	<u>15,582</u>	12,221
Increase in contract customer	(9,620)	(63)
Increase in property development costs	(7,582)	(1,721)
Increase in inventories	(5,207)	(303)
Increase in receivables	6,717	(38,264)
Increase in payables	<u>3,451</u>	6,733
Cash used in operations	3,341	(21,397)
Income tax paid	(2,208)	(2,258)
Interest paid	<u>(225)</u>	(197)
Net cash used in operating activities	908	(23,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	213	502
Proceeds from disposal of property, plant and equipment	2,515	2,413
Purchase of property, plant and equipment	<u>(2,574)</u>	(2,238)
Net cash (used in)/generated from investing activities	154	677
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bankers acceptance	1,500	-
Drawdown of revolving credit	1,500	-
Drawdown of term loan	300	-
Repayment of finance lease	(379)	(1,277)
Repayment of bankers' acceptance	-	(2,000)
Repayment of term loan	(5)	-
Proceeds from issuance of shares pursuant to placement	-	18,852
Proceeds from issuance of shares pursuant to ESOS	-	6,537
Withdrawal of fixed deposits	<u>-</u>	2,868
Net cash generated from financing activities	<u>2,916</u>	24,980
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	3,978	1,805
Effects of foreign exchange rates changes	(201)	(769)
CASH AND CASH EQUIVALENTS AT BEGINNING	<u>17,974</u>	16,921
CASH AND CASH EQUIVALENTS AT END	<u>21,751</u>	<u>17,957</u>
Represented by:		
Fixed deposits with licensed banks	2,584	120
Cash and bank balances	20,972	17,837
Bank overdraft	<u>(1,805)</u>	-
	<u>21,751</u>	<u>17,957</u>

The notes set out on page 5 to 18 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 2017.

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 2017, 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 Share-based Payment: 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: Transfers of Investment Property

Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)

IC Interpretation (“IC Int”) 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Int 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The existing MFRS 4 and Amendments to MFRS 4 will be withdrawn upon the adoption of the new MFRS 17 which will take effect on or after 1 January 2021.

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group.

3. Auditors' qualification of preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 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.

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 31.12.18 (RM'000)	12 months ended 31.12.17 (RM'000)
Segment Revenue		
Manufacturing	125,220	111,292
Gaming & leisure	5,244	4,347
Property development & construction	43,974	25,099
Others	8,416	876
Total revenue including inter-segment sales	<u>182,854</u>	<u>141,614</u>
Elimination of inter-segment sales	<u>(8,416)</u>	<u>(876)</u>
Total revenue to external customers	<u>174,438</u>	<u>140,738</u>
	12 months ended 31.12.18 (RM'000)	12 months ended 31.12.17 (RM'000)
Segment Results		
Manufacturing	6,976	4,923
Gaming & leisure	372	619
Property development & construction	4,526	1,643
Others	6,846	937
Total results	<u>18,720</u>	<u>8,122</u>
Elimination	<u>(8,649)</u>	<u>(1,221)</u>
Profit before taxation	<u>10,071</u>	<u>6,901</u>
Taxation	<u>2,705</u>	<u>(1,646)</u>
Profit for the year	<u>12,776</u>	<u>5,240</u>
	As at 31.12.18 (RM'000)	As at 31.12.17 (RM'000)
Segment Assets		
Manufacturing	134,186	144,705
Gaming & leisure	3,853	3,324
Property development & construction	73,572	56,250
Others	168,851	163,349
Total assets including inter-segment assets	<u>380,462</u>	<u>367,698</u>
Elimination of inter-segment assets	<u>(171,234)</u>	<u>(180,022)</u>
Total assets	<u>209,228</u>	<u>187,676</u>

	As at 31.12.18 (RM'000)	As at 31.12.17 (RM'000)
Segment Liabilities		
Manufacturing	27,898	41,766
Gaming & leisure	856	763
Property development & construction	67,592	53,851
Others	9,347	10,401
Total liabilities including inter-segment liabilities	<u>105,693</u>	<u>106,781</u>
Elimination of inter-segment liabilities	<u>(65,256)</u>	<u>(75,196)</u>
Total liabilities	<u><u>40,437</u></u>	<u><u>31,585</u></u>

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

	As at 31.12.18 (RM'000)	As at 31.12.17 (RM'000)
Segment Assets		
Malaysia	205,375	184,352
Cambodia	3,853	3,324
Total assets	<u><u>209,228</u></u>	<u><u>187,676</u></u>
Segment Liabilities		
Malaysia	39,872	31,106
Cambodia	565	479
Total liabilities	<u><u>40,437</u></u>	<u><u>31,585</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 2017.

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:

Opal Deluxe Limited had on 22 October 2018 transferred 35% equity interest in the issued and paid-up shares capital of Pan Cambodian Lottery Corporation Limited, a 60% owned subsidiary company, comprising 350 ordinary shares of USD2,000 each to the Company ("Transfer") pursuant to the Second Supplemental Agreement dated 21 November 2018 in relation to Sale of Shares Agreement dated 30 April 2015. After the Transfer, the Company owns 95% of equity shareholdings in PCL.

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	3,710
- Project Financing, Management and Construction Agreement	12,598
	<u>16,308</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		
	(Unaudited) 31.12.18 RM'000	(Unaudited) 31.12.17 RM'000	Changes %
Revenue	37,213	36,533	1.86
Results from operating activities	1,168	2,012	(41.95)
Profit before taxation	1,062	1,973	(46.17)
Profit after taxation	5,727	1,220	369.43
Profit attributable to owners of the parent	5,718	1,213	371.39

The Group recorded a revenue and profit before taxation (PBT) of RM37.2 million and RM1.1 million respectively in current quarter under review. The revenue and PBT recorded in previous year corresponding quarter were RM36.5 million and RM2.0 million respectively. The increase in revenue was mainly due to the increase in delivery of Original Equipment Manufacturer (OEM) products in hygiene and pest control industry in manufacturing segment. The lower PBT in current quarter under review was mainly due to the impairment loss on goodwill on consolidation and impairment loss on inventories amounting to RM0.8 million and RM0.4 million respectively.

The manufacturing segment had recorded a revenue of RM25.6 million and RM24.6 million in current quarter under review and previous year corresponding quarter respectively. PBT recorded in manufacturing segment was RM1.3 million in current quarter under review as compared to PBT of RM0.9 million in previous year corresponding quarter. The increase in revenue and profitability was mainly due to the increase in delivery of OEM products in hygiene and pest control industry.

The Group had recorded a revenue of RM10.0 million and RM10.6 million in property development & construction segment in current quarter under review and previous year corresponding quarter respectively. Property development & construction segment had recorded a PBT of RM1.0 million in current quarter under review as compared to RM1.1 million in previous year corresponding quarter.

The gaming & leisure segment recorded a revenue of RM1.4 million in current quarter under review as compared to RM1.3 million in previous year corresponding quarter. Gaming & leisure segment had recorded a PBT of RM0.1 million in current quarter under review as compared to RM0.3 million in previous year corresponding quarter.

Comparison with Corresponding Financial Period To Date in Previous Year

	Cumulative Quarter 12 Months Ended		
	(Unaudited) 31.12.18 RM'000	(Unaudited) 31.12.17 RM'000	Changes %
	Revenue	174,438	140,738
Results from operating activities	10,296	7,098	45.05
Profit before taxation	10,071	6,901	45.94
Profit after taxation	12,776	5,240	143.82
Profit attributable to owners of the parent	12,652	5,084	148.86

The Group had recorded a revenue and PBT of RM174.4 million and RM10.1 million in current reporting period as compared to the revenue and PBT of RM140.7 million and RM6.9 million in previous year corresponding period. The increase in revenue was mainly due to the sales generated from property development & construction segment and manufacturing segment.

The revenue and PBT in property development & construction segment was RM44.0 million and RM4.5 million respectively in current reporting period as compared to RM25.1 million and RM1.6 million respectively in previous year corresponding period. This was mainly due to the stage of completion and the further launched of subsequent phases for the project in Daerah Seberang Perai Utara.

The PBT in property development & construction segment had increased by RM2.9 million from RM1.6 million in previous year corresponding period to RM4.5 million in current reporting period. This was mainly due to the stage of completion and the further launched of the subsequent phases for the Daerah Seberang Prai Utara project.

The revenue in manufacturing segment had increased from RM111.3 million in previous year corresponding period to RM125.2 million in current reporting period. This was mainly due to the increase in delivery of OEM products in hygiene and pest control industry and the formwork products for the construction industry.

The PBT in manufacturing segment had increased from RM4.9 million in previous year corresponding period to RM7.0 million in current reporting period mainly due to the increase in sales of the higher margin OEM product.

2. Variation of results against preceding quarter

	Individual Quarter 3 Months Ended		
	(Unaudited) 31.12.18 RM'000	(Unaudited) 30.09.18 RM'000	Changes %
Revenue	37,213	51,583	(27.86)
Results from operating activities	1,168	4,130	(71.72)
Profit before taxation	1,062	4,077	(73.95)
Profit after taxation	5,727	3,369	69.99
Profit attributable to owners of the parent	5,718	3,320	72.23

The Group had recorded a revenue of RM37.2 million in current quarter under review as compared to a revenue of RM51.6 million in previous quarter. PBT recorded was RM1.1 million and RM4.1 million in current quarter under review and previous quarter respectively. This was mainly due to the lower sales to customers in electrical & electronic industry where year-end was low season in this industry. The delivery to the customers in hygiene and pest control industry was also lower compared to previous quarter under review. The stage of completion for the Daerah Seberang Prai Utara project was lower as compared to previous quarter.

The PBT in current quarter under review was reduced mainly due to the impairment loss on goodwill on consolidation and impairment loss on inventories amounting to RM0.8 million and RM0.4 million respectively.

3. Prospects

The global economy remains uncertain and faces with various challenges. Economies in Eurozone, United Kingdom, Japan and China have not been encouraging. With anticipated escalating trade conflicts, a contraction in world trade could drag down the global demand even more. At the same time, the combined effects of rising interest rates and surging equity and commodity market volatility mean that financial conditions worldwide are tightening.

Despite the global outlook uncertainty, the escalating trade conflicts and heightening financial market volatility, Malaysia's near-term growth outlook remains resilient with sound macroeconomic fundamentals, stable financial conditions and diversified economic structure. The Group will remain prudent in all its operations.

In 2019, the manufacturing sector in Malaysia is forecasted to continue to expand supported by export orientated industries. The manufacturing segment will continue to differentiate itself from the other manufacturers to generate higher revenue and improved margin. The strategies taken to transform the manufacturing segment in the plastic parts and components manufacturer to the Original Equipment Manufacturers (OEM) has successfully and positively contributed to the growth of the Group. The

Manufacturing segment will continue the strategies to position and prepare itself to evolve to become an Original Design Manufacturer (ODM) player. In 2019, barring any unforeseen circumstances, the Manufacturing segment will undertake Research and Development in the medical devices and equipment to further diversify its income stream in the manufacturing segment.

The residential property market in Malaysia is expected to grow marginally following the mismatch between demand and supply. However, the demand for residential property will continue to be fueled by the affordable housing scheme currently promoted by both the Federal and State governments. The property development and construction segment has successfully launched the affordable housing project in Daerah Seberang Perai Utara and the sales have been encouraging. The affordable housing project in Pengkalan Hulu, Perak, under the “Built Then Sell” (BTS) scheme is almost completed and expected to obtain the Certificate of Completion and Compliance (CCC) by end of March 2019. The property development and construction segment will continue to explore the opportunity in the development of the affordable housing scheme for the near-term. This segment will adopt a more careful and prudent strategies in developing the high-medium and high-end housing development projects. The property development and construction segment will also explore the opportunity in the non-residential development especially in the development of the technology base factories for the high technology industries in line with the expected growth in the high technology manufacturing sector in Malaysia.

Cambodia’s economy is predicted to remain resilient and maintain a high growth rate this year in the face of challenges posed by the global economy. Domestic demand has boosted by higher wage growth and larger public investments with fiscal expansion serving as stimulus. This has significantly contributed to the larger disposal income of the population. The growth experienced by the country, has also contributed positively to the growth of the digit forecast gaming industry. The gaming and leisure segment continues to put in place the strategies to expand its sales network and representatives in Cambodia to capture a bigger market share in this growing market. The company had in 2018 moved to its new office to cater to the need of its growing agencies. The company has also applied for more games to be introduced on top of the existing 5 digits forecast gaming that it is operating currently.

Buoyed by Cambodia’s rapidly growing tourism industry, gaming has enjoyed a steady growth in the recent years. With the influx of Chinese tourists to Cambodia and also the growth in the neighbouring country, Vietnam, the company has also put in place the plan to establish its casino operation in 2019. The company has identified a piece of land in Kampot Province bordering Vietnam for its casino operation. The company is now finalizing the leasehold agreement. The company is also at the stage of final discussion with the consultants for the construction of the casino and hotel building. With the efforts of the tour agencies to attract more tourists to Cambodia and the Cambodian Government to enact more gaming legislation to streamline the gaming industry, the Cambodian gaming industry is buoyed for growth and outlook is promising.

In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in financial year 2019.

4. Variance of profit forecast or profit guarantee

No profit forecast or profit guarantee was published for the current quarter and financial period to date other than the following:-

The Board had on 19 February 2019 announced that the arrangement in the Second Supplemental Agreement dated 21 November 2018 in relation to Sale of Shares Agreement dated 30 April 2015 with Opal Deluxe Limited had been completed.

5. Taxation

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited) 31.12.18 RM'000	(Unaudited) 31.12.17 RM'000	(Unaudited) 31.12.18 RM'000	(Unaudited) 31.12.17 RM'000
Malaysian income tax: Based on results for the period:				
- Current tax	93	(1,015)	(1,867)	(1,923)
- Deferred tax	4,553	50	4,553	50
	4,646	(965)	2,686	(1,873)
(Under)/over provision in prior year:				
- Current tax	33	(2)	33	(2)
- Deferred tax	(14)	214	(14)	214
	19	212	19	212
	4,665	(753)	2,705	(1,661)

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 before taxation

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited) 31.12.18 RM'000	(Unaudited) 31.12.17 RM'000	(Unaudited) 31.12.18 RM'000	(Unaudited) 31.12.17 RM'000
Profit before taxation is arrived at after charging/ (crediting):				
Depreciation	1,261	1,270	5,106	4,996
Doubtful debts recovered	(20)	-	(20)	-
Impairment loss on goodwill on consolidation	838	-	838	-

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.12.18	31.12.17	31.12.18	31.12.17
	RM'000	RM'000	RM'000	RM'000
Impairment loss on inventories	408	-	408	-
Interest expense	106	39	225	197
Interest income	(71)	(209)	(213)	(510)
Loss/(gain) on disposal of property, plant and equipment	(715)	189	(960)	(330)
Realised (gain)/loss on foreign exchange	(104)	59	29	432
Rental income	(110)	(11)	(136)	(21)
Unrealised loss/(gain) on foreign exchange	173	290	127	967

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

- a. 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 as at 31.12.18	Balance as at 31.12.18	Intended Timeframe for Utilisation
	RM'000	RM'000	RM'000	
Property development expenditure	10,000	10,000	-	Within 21 months
Working capital	8,662	8,728	-	Completed
Expenses for the corporate exercise	190	124	-	Completed
	18,852	18,852	-	

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

- b. The Company had on 18 October 2018 announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 18 October 2018, resolved to approve the listing and quotation of up to 197,603,500 new ordinary shares to be issued pursuant to the Proposed.

8. Borrowings and debts securities

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

As at quarter ended 31.12.18

	Non-Current RM'000	Current RM'000	Total RM'000
Secured			
Bankers acceptance	-	1,500	1,500
Finance lease liabilities	972	911	1,883
Overdraft	-	1,804	1,804
Revolving credit	-	1,500	1,500
Term loan	261	34	295
Total	1,233	5,749	6,982

As at quarter ended 31.12.17

	Non-Current RM'000	Current RM'000	Total RM'000
Secured			
Finance lease liabilities	1,379	775	2,154

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 of Malaya at Shah Alam has further fixed the continuation of trial dates to 5 March 2019 and 6 March 2019.

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 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31.12.18	31.12.17	31.12.18	31.12.17
Income attributable to owners of the parent (RM'000)	5,718	1,213	12,652	5,084
	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31.12.18	31.12.17	31.12.18	31.12.17
Adjusted number of issued ordinary shares ('000)	1,976,035	1,731,909	1,976,035	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)	1,976,035	1,894,974	1,976,035	1,894,974
Basic earnings per share (sen)	0.29	0.06	0.64	0.27

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

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31.12.18	31.12.17	31.12.18	31.12.17
Income attributable to owners of the parent (RM'000)	^	1,213	^	5,084

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		12 Months Ended	
	31.12.18	31.12.17	31.12.18	31.12.17
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 2018, the 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.

BY ORDER OF THE BOARD
Liang Wooi Gee
Deputy Managing Director
Dated this 27th day of February 2019