



# **LUSTER INDUSTRIES BHD**

(156148-P)

(Incorporated in Malaysia)

## **INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**



**LUSTER INDUSTRIES BHD.**  
**Company No. 156148-P**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Unaudited as at 31-Dec-19 RM'000	Audited as at 31-Dec-18 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	51,594	54,436
Goodwill on consolidation	6,446	7,754
Deferred tax assets	3,332	4,565
Trade receivables	5,521	1,983
	<u>66,893</u>	<u>68,738</u>
<b>Current assets</b>		
Contract assets	9,364	9,141
Contract costs	2,797	-
Inventory properties	42,166	19,189
Inventories	18,159	17,651
Trade receivables	54,274	32,515
Other receivables, deposits and prepayments	33,350	35,007
Current tax assets	844	1,693
Fixed deposits with licensed banks	4,789	3,828
Cash and bank balances	18,570	20,972
	<u>184,313</u>	<u>139,996</u>
<b>TOTAL ASSETS</b>	<u>251,206</u>	<u>208,734</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	207,829	201,529
Other reserves	(23,686)	(32,959)
	<u>184,143</u>	<u>168,570</u>
Non-controlling interests	158	148
<b>Total equity</b>	<u>184,301</u>	<u>168,718</u>
<b>Non-current liabilities</b>		
Borrowings	2,125	1,237
Lease liabilities	94	-
Deferred tax liabilities	690	1,284
Trade payables	4,515	1,698
	<u>7,424</u>	<u>4,219</u>
<b>Current liabilities</b>		
Contract liabilities	1,433	-
Trade payables	29,586	22,429
Other payables and accruals	19,468	7,485
Borrowings	7,497	5,746
Lease liabilities	181	-
Current tax liabilities	1,316	137
	<u>59,481</u>	<u>35,797</u>
<b>Total liabilities</b>	<u>66,905</u>	<u>40,016</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>251,206</u>	<u>208,734</u>
<b>Net assets per share (RM)</b>	<b>0.09</b>	<b>0.09</b>

The accompany notes form an integral part of 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 2019**

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
Revenue	49,108	37,213	182,551	174,438
Cost of sales	<u>(41,227)</u>	<u>(30,241)</u>	<u>(152,640)</u>	<u>(144,715)</u>
<b>Gross profit</b>	<b>7,881</b>	<b>6,972</b>	<b>29,911</b>	<b>29,723</b>
Other income/(expenses)	<b>241</b>	<b>270</b>	<b>921</b>	<b>601</b>
Administrative expenses	<b>(4,459)</b>	<b>(5,884)</b>	<b>(16,530)</b>	<b>(19,154)</b>
Selling and distribution expenses	<u>(277)</u>	<u>(190)</u>	<u>(1,004)</u>	<u>(874)</u>
<b>Results from operating activities</b>	<b>3,386</b>	<b>1,168</b>	<b>13,298</b>	<b>10,296</b>
Finance costs	<u>(208)</u>	<u>(106)</u>	<u>(552)</u>	<u>(225)</u>
<b>Profit before tax</b>	<b>3,178</b>	<b>1,062</b>	<b>12,746</b>	<b>10,071</b>
Tax expense	<u>(964)</u>	<u>4,665</u>	<u>(3,417)</u>	<u>2,705</u>
<b>Profit for the period</b>	<b>2,214</b>	<b>5,727</b>	<b>9,329</b>	<b>12,776</b>
<b>Other comprehensive income:</b>				
Foreign currency translation differences for foreign operation	<u>(62)</u>	<u>9</u>	<u>(38)</u>	<u>73</u>
<b>Total comprehensive income for the period</b>	<b>2,152</b>	<b>5,736</b>	<b>9,291</b>	<b>12,849</b>
<b>Profit attributable to:</b>				
Owners of the parent	<b>2,201</b>	<b>5,718</b>	<b>9,310</b>	<b>12,652</b>
Non-controlling interests	<u>13</u>	<u>9</u>	<u>19</u>	<u>124</u>
	<b>2,214</b>	<b>5,727</b>	<b>9,329</b>	<b>12,776</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	<b>2,142</b>	<b>5,726</b>	<b>9,274</b>	<b>12,721</b>
Non-controlling interests	<u>10</u>	<u>9</u>	<u>17</u>	<u>128</u>
	<b>2,152</b>	<b>5,736</b>	<b>9,291</b>	<b>12,849</b>
Basic earning per ordinary share (sen)	<u>0.11</u>	<u>0.29</u>	<u>0.47</u>	<u>0.64</u>
Diluted earnings per ordinary share (sen)	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

The accompany notes form an integral part of 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 2019**

	----- Attributable to owners of the parent -----																	
	Share capital		Foreign currency translation reserve		Warrant reserve		Discount on shares		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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	201,529	761	22,618	(22,618)	8,420	(42,140)	168,570	148	168,718									
Total comprehensive income for the period	-	(37)	-	-	-	9,310	9,273	17	9,290									
<i>Transactions with owners :</i>																		
Issuance of shares pursuant to placement	6,300						6,300		6,300									6,300
Acquisition of subsidiary							-	(7)	(7)									(7)
Total transactions with owners	6,300	-	-	-	-	-	6,300	(7)	6,293									
As at 31 December 2019	<b>207,829</b>	<b>724</b>	<b>22,618</b>	<b>(22,618)</b>	<b>8,420</b>	<b>(32,830)</b>	<b>184,143</b>	<b>158</b>	<b>184,301</b>									
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 of subsidiary						943	943	(943)	-									
As at 31 December 2018	201,529	760	22,618	(22,618)	8,420	(43,009)	167,700	1,091	168,791									

The accompany notes form an integral part of 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 2019**

	31-Dec-19 RM'000	31-Dec-18 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	12,746	10,071
Adjustments for:		
Depreciation	4,832	5,106
Loss/(gain) on disposal of property, plant and equipment	38	(960)
Impairment on goodwill on consolidation	1,308	838
Impairment on inventories	327	408
Interest expense	552	225
Interest income	(637)	(213)
Property, plant and equipment written off	23	-
Reversal of impairment loss on property, plant and equipment	(1,441)	-
Unrealised loss on foreign exchange	162	127
Operating profit before working capital changes	<u>17,910</u>	<u>15,602</u>
Changes in:		
Contract assets	1,210	(9,620)
Contract costs	(2,797)	-
Inventory properties	118	(7,582)
Inventories	(835)	(5,207)
Receivables	(23,824)	6,697
Payables	16,727	3,451
Cash from operations	<u>8,509</u>	<u>3,341</u>
Income tax paid	(750)	(2,208)
Interest paid	(552)	(225)
Net cash from operating activities	<u>7,207</u>	<u>908</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of right of use	(264)	-
Cash flows on acquisition of equity interests in subsidiaries	(17,848)	-
Interest received	875	213
Proceeds from disposal of property, plant and equipment	194	2,515
Purchase of property, plant and equipment	(542)	(2,574)
Net cash (used in)/from investing activities	<u>(17,585)</u>	<u>154</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net changes in bankers' acceptance	5,119	1,500
Net changes in revolving credit	(1,500)	1,500
Drawdown of lease liabilities	275	-
Drawdown of term loan	1,940	295
Proceed from issuance of shares pursuant to placement	6,300	-
Repayment of finance lease liabilities	(1,115)	(379)
Withdrawal of fixed deposits	1,011	-
Net cash from financing activities	<u>12,030</u>	<u>2,916</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>1,652</u>	<u>3,978</u>
<b>Effects of foreign exchange rates changes</b>	<u>(39)</u>	<u>(201)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<u>20,944</u>	<u>17,974</u>
<b>CASH AND CASH EQUIVALENTS AT END</b>	<u>22,557</u>	<u>21,751</u>
<b>Represented by:</b>		
Fixed deposits with licensed banks	3,987	2,584
Cash and bank balances	18,570	20,972
Bank overdraft	-	(1,805)
	<u>22,557</u>	<u>21,751</u>

The accompany notes form an integral part of 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 2018.

#### **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 2018, 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 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

Annual Improvements to MFRS Standards 2015-2017 Cycle

IC Interpretation 23 Uncertainty over Income Tax Treatments

##### **Effective for annual periods beginning on or after 1 January 2020**

Amendments to References to the Conceptual Framework in MFRS Standards

##### **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 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 impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

### **MFRS 16 Leases**

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

### **3. Auditors' qualification of preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2018 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.

	<b>12 months ended 31.12.19 RM'000</b>	<b>12 months ended 31.12.18 RM'000</b>
<b>Segment Revenue</b>		
Manufacturing	110,224	125,220
Property development & construction	66,408	43,974
Gaming & leisure	5,919	5,244
Others	876	8,416
Total revenue including inter-segment sales	<u>183,427</u>	<u>182,854</u>
Elimination of inter-segment sales	(876)	(8,416)
Total revenue to external customers	<u><u>182,551</u></u>	<u><u>174,438</u></u>

	<b>12 months ended 31.12.19 RM'000</b>	<b>12 months ended 31.12.18 RM'000</b>
<b>Segment Results</b>		
Manufacturing	3,390	6,976
Property development & construction	11,132	4,526
Gaming & leisure	464	372
Others	3,576	6,846
Total results	<u>18,562</u>	<u>18,720</u>
Elimination	<u>(5,816)</u>	<u>(8,649)</u>
Profit before tax	12,746	10,071
Tax	(3,417)	2,705
Profit for the year	<u>9,329</u>	<u>12,776</u>
	<b>As at 31.12.19 RM'000</b>	<b>As at 31.12.18 RM'000</b>
<b>Segment Assets</b>		
Manufacturing	142,336	134,186
Property development & construction	114,978	73,572
Gaming & leisure	6,410	3,853
Others	208,954	168,851
Total assets before elimination	<u>472,678</u>	<u>380,462</u>
Elimination	<u>(221,472)</u>	<u>(171,234)</u>
Total assets	<u>251,206</u>	<u>209,228</u>
	<b>As at 31.12.19 RM'000</b>	<b>As at 31.12.18 RM'000</b>
<b>Segment Assets by Locations</b>		
Malaysia	244,796	205,375
Cambodia	6,410	3,853
Total assets	<u>251,206</u>	<u>209,228</u>
	<b>As at 31.12.19 RM'000</b>	<b>As at 31.12.18 RM'000</b>
<b>Segment Liabilities</b>		
Manufacturing	35,503	27,898
Property development & construction	58,879	67,592
Gaming & leisure	2,986	856
Others	25,582	9,347
Total liabilities before elimination	<u>122,950</u>	<u>105,693</u>
Elimination	<u>(56,045)</u>	<u>(65,256)</u>
Total liabilities	<u>66,905</u>	<u>40,437</u>

	<b>As at 31.12.19 RM'000</b>	<b>As at 31.12.18 RM'000</b>
<b>Segment Liabilities by Locations</b>		
Malaysia	66,261	39,872
Cambodia	644	565
Total liabilities	<u>66,905</u>	<u>40,437</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 2018.

**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 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:

	<b>RM'000</b>
The balance commitments payable pursuant to:	
- Tripartite Agreement	3,710
- Project Financing, Management and Construction Agreement	5,054
- Sale and Purchase Agreement	<u>6,550</u>
	<u>15,314</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**

	<b>Individual Quarter 3 Months Ended</b>		<b>Changes %</b>
	<b>(Unaudited) 31.12.19 RM'000</b>	<b>(Unaudited) 31.12.18 RM'000</b>	
	Revenue	49,108	
Results from operating activities	3,386	1,168	189.90
Profit before tax	3,178	1,062	199.25
Profit after tax	2,214	5,727	(61.34)
Profit attributable to owners of the parent	2,201	5,718	(61.51)

The Group recorded a revenue and profit before tax (“PBT”) of RM49.1 million and RM3.2 million respectively in current quarter under review as compared to RM37.2 million and RM1.1 million respectively in previous year corresponding quarter. The higher revenue in current quarter under review was mainly due to the launch of new phases in Daerah Seberang Perai Utara. The higher sales recognition has resulted higher PBT recorded in current quarter under review.

The revenue and PBT recorded in manufacturing segment were RM25.0 million and RM1.3 million respectively in current quarter under review as compared to RM25.6 million and PBT of RM1.3 million respectively in previous year corresponding quarter. The revenue in current quarter under review consists of sales to a new customer in plastic division where the selling price of the products inclusive of component costs. Hence, the incremental effect on the value added in relation to the increase in sales is lower. The PBT in current quarter under review was also due to reversal of impairment loss on property, plant and equipment of RM1.4 million. The PBT in previous year corresponding quarter also inclusive a gain on disposal of property, plant and equipment of RM0.6 million.

The revenue recorded in property development & construction segment was RM22.2 million in current quarter under review as compared to RM10.0 million in previous year corresponding quarter. Property development & construction segment had recorded a PBT of RM3.2 million in current quarter under review as compared to RM1.0 million in previous year corresponding quarter. This was mainly due to the launch of new phases in Daerah Seberang Perai Utara which had contributed to the higher recognition of the revenue and PBT in the property development & construction segment.

The gaming & leisure segment recorded a revenue of RM1.9 million in current quarter under review as compared to RM1.4 million in previous year corresponding quarter. The loss before tax (“LBT”) recorded was RM0.2 million in current quarter under review as compared to a PBT of RM0.1 million in previous year corresponding quarter. This was mainly due to the reclassification in the accounts from tax of RM0.7 million to administrative expenses in current quarter under reviewed.

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

	<b>Cumulative Quarter 12 months Ended</b>		
	<b>(Unaudited) 31.12.19 RM'000</b>	<b>(Unaudited) 31.12.18 RM'000</b>	<b>Changes %</b>
Revenue	182,551	174,438	4.65
Results from operating activities	13,298	10,296	29.16
Profit before tax	12,746	10,071	26.56
Profit after tax	9,329	12,776	(26.98)
Profit attributable to owners of the parent	9,310	12,652	(26.41)

The revenue had increased by 4.65% from RM174.4 million in previous year corresponding period to RM182.6 million in current quarter under review. The PBT in current quarter under review was RM12.7 million, the PBT had increased by 26.56% from RM10.1 million in previous year corresponding period. However, the profit after tax (“PAT”) reduced by 26.98% from RM12.8 million to RM9.3 million. This was mainly due to the recognition of deferred tax assets in previous year corresponding period. The higher revenue in current reporting quarter was mainly due to the launch of new phases in Daerah Seberang Perai Utara, hence, higher PBT recorded.

The revenue and PBT recorded in property development and construction segment was RM66.4 million and RM11.1 million respectively in current reporting period as compared to RM44.0 million and RM4.5 million respectively in previous year corresponding period. This was mainly due to the successful launch of new phases in Daerah Seberang Perai Utara.

The manufacturing segment had recorded a revenue of RM110.2 million in current reporting period as compared to RM125.2 million in previous year corresponding period. The PBT recorded was RM3.4 million as compared to RM7.0 million in previous year corresponding period. This was mainly due to the lower sales from customers in electrical & electronic industry in plastic division and air-conditioning and refrigeration industry in the machining division. The lower revenue recorded in current reporting period had affected the profitability of the manufacturing segment.

The gaming and leisure segment had recorded a revenue and PBT of RM5.9 million and RM0.5 million respectively in current reporting period as compared to RM5.2 million and RM0.4 million in previous year corresponding period.

## 2. Variation of results against preceding quarter

	Individual Quarter 3 Months Ended		
	(Unaudited)	(Unaudited)	Changes %
	31.12.19 RM'000	30.09.19 RM'000	
Revenue	49,108	51,952	(5.47)
Results from operating activities	3,386	6,563	(48.41)
Profit before taxation	3,178	6,400	(50.34)
Profit after taxation	2,214	4,798	(53.86)
Profit attributable to owners of the parent	2,201	4,791	(54.06)

The revenue recorded in current quarter under review was RM49.1 million as compared to a revenue of RM52.0 million in previous quarter. PBT recorded was RM3.2 million in current quarter under review as compared to RM6.4 million in previous quarter.

Manufacturing segment had recorded a revenue of RM25.0 million and PBT of RM1.3 million in current quarter under reviewed as compared to RM27.0 million and RM1.4 million in previous quarter. This was mainly due to the reversal of impairment loss on property, plant and equipment of RM1.4 million in current quarter under review. The lower sales recorded was mainly due to lower delivery to customers in electrical & electronic industry in plastic division.

Property development & construction segment recorded a revenue of RM22.2 million in current quarter under review as compared to RM22.6 million in previous quarter. The PBT recorded was RM3.2 million as compared to RM5.3 million in previous quarter. This was mainly due to the variation order from a construction project in Kelantan which affected the profitability of this segment.

The gaming & leisure segment had recorded a revenue of RM1.9 million as compared to RM1.4 million. The LBT recorded in current quarter under review was RM0.2 million as compared to RM0.3 million in previous quarter. This was mainly due to the reclassification in the accounts from tax of RM0.7 million to administrative expenses in current quarter under reviewed.

## 3. Prospects

The global economy remains uncertain as a result of the trade conflicts between United States of America (“US”) and China had resulted a contraction in world trade. This has also resulted in some of the orders especially for the US market being relocated to South East Asia. The outbreak of coronavirus could drag down the global demand even more.

Despite the global outlook uncertainty, 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.

The manufacturing segment will continue to differentiate itself from the other manufacturers to generate higher revenue and improved margin. The manufacturing segment will continue the strategies to position and prepare itself to evolve to become an Original Design Manufacturer (“ODM”) player. Barring any unforeseen circumstances, the manufacturing segment is expected to grow substantially in FYE2020 as this segment had approached a few companies in China to produce Original Equipment Manufacturer (“OEM”) products. The first delivery of the OEM products to US was successfully shipped in January 2020.

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 had successfully launched phase 3 & 4 of the affordable housing project in Daerah Seberang Perai Utara in 2019 and is expected to complete the development in 2022. The affordable housing project in Pengkalan Hulu, Perak, under the “Built Then Sell” (“BTS”) scheme had completed.

The property development and construction segment will continue to explore the opportunity in the development of the affordable housing scheme. This segment will adopt a more careful and prudent strategies in developing the high-medium and high-end housing development projects.

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. The growth experienced by the country has also contributed positively to the growth of the digit forecast gaming industry. The gaming and leisure segment will continue to expand its sales network to capture a bigger market share. This segment also looking into increasing the type of games provided to boost the revenue.

Buoyed by Cambodia’s rapidly growing tourism industry, gaming has enjoyed a steady growth in the recent years. The company has also put in place the plan to establish its casino operation in Kampot Province bordering Vietnam. 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.

However, with the current outbreak of the coronavirus, the Group’s financial performance is expected to be slightly affected in the near term. In light of the above and barring any unforeseen circumstances, the Board is cautiously optimistic in delivering a better result in financial year 2020.

#### 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.

#### 5. Taxation

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31.12.19	31.12.18	31.12.19	31.12.18
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax: Based on results for the period:				
- Current tax	(445)	93	(2,898)	(1,867)
- Deferred tax	280	4,553	280	4,553
	(165)	4,646	(2,618)	2,686
(Under)/over provision in prior year:				
- Current tax	119	33	119	33
- Deferred tax	(918)	(14)	(918)	(14)
	(799)	19	(799)	19
	(964)	4,665	(3,417)	2,705

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)	(Unaudited)	(Unaudited)	(Unaudited)
	31.12.19	31.12.18	31.12.19	31.12.18
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/ (crediting):				
Bad debt recovered	(5)	(20)	(6)	(20)
Depreciation	1,216	1,261	4,832	5,106
Loss/(gain) on disposal of property, plant and equipment	18	(715)	38	(960)
Impairment loss on goodwill on consolidation	1,308	838	1,308	838



	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>12 months Ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>31.12.19</b>	<b>31.12.18</b>	<b>31.12.19</b>	<b>31.12.18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment loss on inventories	(16)	408	327	408
Interest expense	208	106	552	225
Interest income	(94)	(71)	(637)	(213)
Property, plant and equipment written off	23	-	23	-
Realised loss/(gain) on foreign exchange	23	(104)	235	29
Rental income	52	(110)	(28)	(136)
Reversal of impairment loss on property, plant and equipment	(1,441)	-	(1,441)	-
Unrealised loss on foreign exchange	75	173	162	127

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:

The Company had on 18 October 2019 issued 100,000,000 new ordinary shares to fund the property development project, working capital of the Group and the defray corporate exercise related expenses. The status of the utilisation of the total proceeds of RM6,300,000.00 from private placement exercise are as follows:

<b>Purpose</b>	<b>Proposed Utilisation</b>	<b>Actual Utilisation as at 31.12.19</b>	<b>Balance as at 31.12.2019</b>	<b>Intended Timeframe for Utilisation</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Property development expenditure	2,569	-	2,569	Within 12 months
Working capital	3,633	3,336	297	Within 12 months
Expenses for the corporate exercise	98	98	-	Within 2 weeks
	6,300	3,434	2,866	

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 31.12.19

	Non-Current RM'000	Current RM'000	Total RM'000
<b>Secured</b>			
Bankers acceptance	-	6,619	6,619
Finance lease liabilities	272	496	768
Overdraft	-	-	-
Revolving credit	-	-	-
Term loan	1,853	382	2,235
Total	<u>2,125</u>	<u>7,497</u>	<u>9,622</u>

### As at quarter ended 31.12.18

	Non-Current RM'000	Current RM'000	Total RM'000
<b>Secured</b>			
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
Finance lease liabilities	<u>1,233</u>	<u>5,749</u>	<u>6,982</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 ("High Court"), 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"]

