



# **LUSTER INDUSTRIES BHD**

(156148-P)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED  
30 JUNE 2020**



**LUSTER INDUSTRIES BHD.**  
**Company No. 156148-P**  
(Incorporated in Malaysia)  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Unaudited as at 30-Jun-20 RM'000	Audited as at 31-Dec-19 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	50,997	51,330
Right-of-use assets	220	264
Goodwill on consolidation	6,446	6,446
Deferred tax assets	3,332	3,332
Trade receivables	6,992	5,521
Other receivables, deposits and prepayments	2,571	2,466
	<u>70,558</u>	<u>69,359</u>
<b>Current assets</b>		
Inventory properties	37,244	37,066
Inventories	21,011	18,159
Trade receivables	69,149	54,274
Contract assets	9,134	7,134
Contract costs	8	2,798
Other receivables, deposits and prepayments	31,072	30,884
Current tax assets	1,068	844
Fixed deposit with licensed banks	4,877	4,789
Cash and bank balances	20,253	18,570
	<u>193,816</u>	<u>174,518</u>
<b>TOTAL ASSETS</b>	<u>264,374</u>	<u>243,877</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	212,709	207,829
Other reserves	(21,582)	(23,759)
	<u>191,127</u>	<u>184,070</u>
Non-controlling interests	288	158
<b>Total equity</b>	<u>191,415</u>	<u>184,228</u>
<b>Non-current liabilities</b>		
Borrowings	1,881	2,125
Lease liabilities	-	41
Trade payables	5,378	4,515
Deferred taxation	777	764
	<u>8,036</u>	<u>7,445</u>
<b>Current liabilities</b>		
Trade payables	30,818	29,018
Other payables and accruals	17,982	13,356
Borrowings	12,557	7,497
Lease liabilities	242	233
Contract liabilities	1,519	784
Current tax liabilities	1,805	1,316
	<u>64,923</u>	<u>52,204</u>
<b>Total liabilities</b>	<u>72,959</u>	<u>59,649</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>264,374</u>	<u>243,877</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 6 MONTHS PERIOD ENDED 30 JUNE 2020**

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Revenue	35,432	35,619	83,646	82,513
Cost of sales	<u>(31,290)</u>	<u>(30,168)</u>	<u>(72,164)</u>	<u>(69,856)</u>
<b>Gross profit</b>	<b>4,142</b>	5,451	<b>11,482</b>	12,657
Other income	554	154	816	245
Administrative expenses	(3,541)	(3,687)	(7,992)	(8,638)
Selling and distribution expenses	<u>(155)</u>	<u>(229)</u>	<u>(386)</u>	<u>(505)</u>
<b>Results from operating activities</b>	<b>1,000</b>	1,689	<b>3,920</b>	3,759
Finance costs	<u>(249)</u>	<u>(88)</u>	<u>(400)</u>	<u>(181)</u>
<b>Profit before tax</b>	<b>751</b>	1,601	<b>3,520</b>	3,578
Tax expense	<u>(519)</u>	<u>(532)</u>	<u>(1,566)</u>	<u>(973)</u>
<b>Profit for the period</b>	<b>232</b>	1,069	<b>1,954</b>	2,605
<b>Other comprehensive income:</b>				
Foreign currency translation differences for foreign operation	<u>(33)</u>	53	<u>237</u>	<u>(3)</u>
<b>Total comprehensive income for the period</b>	<b>199</b>	1,122	<b>2,191</b>	2,602
<b>Profit attributable to:</b>				
Owners of the parent	233	1,069	1,951	2,605
Non-controlling interests	<u>(1)</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<b>232</b>	1,069	<b>1,954</b>	2,605
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	202	1,119	2,176	2,602
Non-controlling interests	<u>(3)</u>	<u>3</u>	<u>15</u>	<u>-</u>
	<b>199</b>	1,122	<b>2,191</b>	2,602
Basic earning per ordinary share (sen)	<u>0.01</u>	<u>0.05</u>	<u>0.09</u>	<u>0.13</u>
Diluted earnings per ordinary share (sen)	<u>0.01</u>	NA	<u>0.07</u>	NA

The accompanying 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 6 MONTHS PERIOD ENDED 30 JUNE 2020**

	----- Attributable to owners of the parent -----							Non-controlling interests	Total equity
	Share capital		Foreign currency translation reserve		Warrant reserve		Discount on shares		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	207,829	21	22,618	(22,618)	8,420	(32,200)	184,070	158	184,228
Total comprehensive income for the period	-	226	-	-	-	1,951	2,177	15	2,192
<i>Transactions with owners :</i>									
Issuance of shares pursuant to placement	4,880	-	-	-	-	-	4,880	-	4,880
Acquisition of interest in subsidiary	-	-	-	-	-	-	-	115	115
Total transactions with owners	4,880	-	-	-	-	-	4,880	115	4,995
As at 30 June 2020	<b>212,709</b>	<b>247</b>	<b>22,618</b>	<b>(22,618)</b>	<b>8,420</b>	<b>(30,249)</b>	<b>191,127</b>	<b>288</b>	<b>191,415</b>
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	-	(3)	-	-	-	2,605	2,602	1	2,603
As at 30 June 2019	201,529	758	22,618	(22,618)	8,420	(39,535)	171,172	149	171,321

The accompanying 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 6 MONTHS PERIOD ENDED 30 JUNE 2020**

	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,520	3,578
Adjustments for:		
Accretion of interest	9	-
Depreciation	2,323	2,405
Depreciation of right-of-use assets	127	-
Loss on disposal of property, plant and equipment	-	20
Impairment on inventories	35	345
Interest expense	401	181
Interest income	(104)	(147)
Unrealised loss on foreign exchange	248	125
Operating profit before working capital changes	<u>6,559</u>	<u>6,507</u>
Changes in:		
Inventory properties	(178)	(3,661)
Inventories	(2,887)	(1,280)
Receivables	(16,339)	(14,615)
Contract assets	(2,000)	5,461
Contract costs	2,790	-
Payables	7,170	5,245
Contract liabilities	735	-
Cash used in operations	<u>(4,150)</u>	<u>(2,343)</u>
Income tax paid	(1,288)	(711)
Interest paid	(401)	(181)
Net cash used in operating activities	<u>(5,839)</u>	<u>(3,235)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of interest in subsidiary by non-controlling interest	115	-
Acquisition of right of use	(80)	-
Interest received	104	395
Proceeds from disposal of property, plant and equipment	-	33
Purchase of property, plant and equipment	(1,984)	(518)
Net cash used in investing activities	<u>(1,845)</u>	<u>(90)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares	4,880	-
Net changes in bankers' acceptance	3,266	5,643
Net changes in revolving credit	2,000	(1,000)
Payment of lease liabilities	(258)	-
Repayment of finance lease liabilities	(46)	(137)
Repayment of term loan	(192)	(17)
Withdrawal of fixed deposits	-	1,028
Net cash from financing activities	<u>9,651</u>	<u>5,517</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>1,967</u>	<u>2,192</u>
<b>Effects of foreign exchange rates changes</b>	<u>(196)</u>	<u>(165)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<u>22,557</u>	<u>20,944</u>
<b>CASH AND CASH EQUIVALENTS AT END</b>	<u>24,328</u>	<u>22,971</u>
<b>Represented by:</b>		
Fixed deposits with licensed banks	4,075	3,936
Cash and bank balances	20,253	19,035
	<u>24,328</u>	<u>22,971</u>

The accompanying 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 2019.

#### **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 2019, 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 2020**

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3 Business Combinations: Definition of a Business

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

##### **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 and of the Company upon adoption.

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

The auditors' report on the financial statements for the financial year ended 31 December 2019 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>6 months ended 30.06.20 RM'000</b>	<b>6 months ended 30.06.19 RM'000</b>
<b>Segment Revenue</b>		
Manufacturing	51,192	58,323
Property development & construction	30,009	21,619
Gaming & leisure	2,445	2,571
Others	241	438
Total revenue including inter-segment sales	<u>83,887</u>	<u>82,951</u>
Elimination of inter-segment sales	<u>(241)</u>	<u>(438)</u>
Total revenue to external customers	<u><b>83,646</b></u>	<u><b>82,513</b></u>

	<b>6 months ended 30.06.20 RM'000</b>	<b>6 months ended 30.06.19 RM'000</b>
<b>Segment Results</b>		
Manufacturing	(2,271)	942
Property development & construction	6,425	2,698
Gaming & leisure	93	366
Others	<u>(665)</u>	<u>(340)</u>
Total results	3,582	3,666
Elimination	<u>(62)</u>	<u>(88)</u>
Profit before tax	3,520	3,578
Tax	<u>(1,566)</u>	<u>(973)</u>
Profit for the period	<u><b>1,954</b></u>	<u><b>2,605</b></u>

	<b>As at 30.06.20 RM'000</b>	<b>As at 30.06.19 RM'000</b>
<b>Segment Assets</b>		
Manufacturing	154,620	145,206
Property development & construction	133,758	86,109
Gaming & leisure	6,576	6,127
Others	<u>201,762</u>	<u>178,801</u>
Total assets before elimination	496,716	416,243
Elimination	<u>(232,342)</u>	<u>(196,960)</u>
Total assets	<u><b>264,374</b></u>	<u><b>219,283</b></u>

<b>Segment Assets by Locations</b>		
Malaysia	257,798	213,156
Cambodia	<u>6,576</u>	<u>6,127</u>
Total assets	<u><b>264,374</b></u>	<u><b>219,283</b></u>

	<b>As at 30.06.20 RM'000</b>	<b>As at 30.06.19 RM'000</b>
<b>Segment Liabilities</b>		
Manufacturing	50,057	41,022
Property development & construction	72,799	36,075
Gaming & leisure	513	3,075
Others	14,232	5,960
Total liabilities before elimination	<u>137,601</u>	<u>86,132</u>
Elimination	<u>(64,642)</u>	<u>(38,170)</u>
Total liabilities	<u><b>72,959</b></u>	<u><b>47,962</b></u>
<b>Segment Liabilities by Locations</b>		
Malaysia	72,446	47,254
Cambodia	513	708
Total liabilities	<u><b>72,959</b></u>	<u><b>47,962</b></u>

**10. Revaluation of property, plant and equipment**

There were no changes in the valuation of property, plant and equipment since the last audited financial statements for the financial year ended 31 December 2019.

**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	3,054
- Sale and Purchase Agreement	<u>2,050</u>
	<u><b>8,814</b></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) 30.06.20 RM'000</b>	<b>(Unaudited) 30.06.19 RM'000</b>	
	Revenue	35,432	
Results from operating activities	1,000	1,689	(40.79)
Profit before tax	751	1,601	(53.09)
Profit after tax	232	1,069	(78.30)
Profit attributable to owners of the parent	233	1,069	(78.20)

The Group recorded a revenue and profit before tax (“PBT”) of RM35.4 million and RM0.8 million respectively in current quarter under review as compared to RM35.6 million and RM1.6 million respectively in previous year corresponding quarter. This was mainly due to lower business activities experienced by the Group as a result of the Movement Control Order (“MCO”) implemented by the Malaysian Government to restrict the outbreak of Covid-19 as well as the lockdown experienced by most of the countries globally. The manufacturing segment of the Group was faced with delayed or postponed deliveries. However, business activities of the manufacturing segment have shown improved performance after the gradual easing of the MCO in Malaysia and global lockdown. The hygiene products manufactured by the Group has shown increased in demand from June 2020 onwards and the Original Equipment Manufacturer (“OEM”) Project for a sound system product in collaboration with a Chinese manufacturer has started production in July 2020 and started deliveries in August 2020. The gaming & leisure segment in Cambodia also experienced slower sales.

The revenue and loss recorded in manufacturing segment were RM22.6 million and RM0.8 million respectively in current quarter under review as compared to RM25.6 million and loss of RM0.1 million respectively in previous year corresponding quarter. The delayed or postponed deliveries of the finished products as per plan due to the MCO and global lockdown had affected the revenue of this segment. The additional overheads incurred for the OEM Project of which the production and deliveries has been postponed and the lower revenue recorded from its’ existing customers had resulted in the loss recorded in this segment. However, the OEM Project has started production in July 2020 with deliveries commencing from August 2020 onwards. Other production activities and customers’ demand especially for the hygiene products has also shown improvement after the easing of the MCO and global lockdown.

The revenue recorded in property development & construction segment was RM11.7 million in current quarter under review as compared to RM8.8 million in previous year corresponding quarter. Property development & construction segment had recorded a PBT of RM2.1 million in current quarter under review as compared to RM1.6 million in previous year corresponding quarter. This was mainly due to the continual development of an on-going project in Daerah Seberang Perai Utara which had contributed to the higher recognition of the revenue and PBT.

The gaming & leisure segment recorded a revenue of RM1.1 million in current quarter under review as compared to RM1.3 million in previous year corresponding quarter. The gaming & leisure segment recorded a breakeven in PBT in current quarter under review as compared to the previous year corresponding quarter of RM0.2 million mainly due to the presentation of gaming tax in the income statement where it was classified as taxation in the previous year corresponding quarter and as sales tax in the cost of sales in the current quarter under review. Without this reclassification, the PBT in the current quarter under review would be RM0.1 million.

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

	<b>Cumulative Quarter 6 months Ended</b>		
	<b>(Unaudited) 30.06.20 RM'000</b>	<b>(Unaudited) 30.06.19 RM'000</b>	<b>Changes %</b>
Revenue	83,646	82,513	1.37
Results from operating activities	3,920	3,759	4.28
Profit before tax	3,520	3,578	(1.62)
Profit after tax	1,954	2,605	(24.99)
Profit attributable to owners of the parent	1,951	2,605	(25.11)

The revenue had increased by 1.37% from RM82.5 million in previous year corresponding period to RM83.6 million in current reporting period. The PBT in current reporting period was RM3.5 million as compared to RM3.6 million in previous year corresponding period.

The manufacturing segment had recorded a revenue of RM51.2 million in current reporting period as compared to RM58.3 million in previous year corresponding period. The loss recorded in current reporting period was RM2.3 million as compared to PBT of RM0.9 million in previous year corresponding period. This was mainly due to lower business activities experienced by the Group as a result of the MCO in Malaysia as well as the lockdown experienced by China, United States of America and Europe. The manufacturing segment of the Group was faced with delayed or postponed deliveries. However, business activities of the manufacturing segment have shown improvement

in performance after the gradual easing of the MCO in Malaysia and global lockdown. The hygiene products manufactured by the Group has shown increased in demand from June 2020 onwards and the OEM Project for a sound system product in collaboration with a Chinese manufacturer has started deliveries in August 2020. The loss recorded was mainly due to the initial overheads incurred on the manufacturing of the OEM Project for a sound system product.

The revenue recorded in property development and construction segment was RM30.0 million in current reporting period as compared to RM21.6 million in previous year corresponding period. This was mainly due to the continual development of an on-going project in Daerah Seberang Perai Utara. This had resulted the PBT increased by 138% from RM2.7 million in previous year corresponding period to RM6.4 million in current reporting period.

The gaming and leisure segment had recorded a revenue of RM2.4 million in current reporting period as compared to RM2.6 million previous year corresponding period. The PBT in current reporting period was RM0.1 million as compared to RM0.4 million in previous year corresponding period mainly due to the presentation of gaming tax in the income statement where it was classified as taxation in the previous year corresponding period and as sales tax in the cost of sales in the current reporting period. Without this reclassification, the PBT in the current reporting period would be RM0.4 million.

## 2. Variation of results against preceding quarter

	<b>Individual Quarter 3 Months Ended</b>		
	<b>(Unaudited) 30.06.20 RM'000</b>	<b>(Unaudited) 31.03.20 RM'000</b>	<b>Changes %</b>
	Revenue	35,432	48,214
Results from operating activities	1,000	2,920	(65.75)
Profit before taxation	751	2,769	(72.88)
Profit after taxation	232	1,722	(86.53)
Profit attributable to owners of the parent	233	1,718	(86.44)

The revenue recorded in current quarter under review was RM35.4 million as compared to a revenue of RM48.2 million in previous quarter. The PBT was RM2.8 million as compared to RM0.8 million in current quarter under review. This was mainly due to lower business activities as a result of the MCO.

The revenue in the manufacturing segment had reduced by RM5.9 million from RM28.5 million in previous quarter to RM22.6 million in current quarter under review. The loss recorded in current quarter under review was RM0.8 million as compared to

loss of RM1.5 million in previous quarter. The lower sales recorded was mainly caused by the MCO where deliveries have been postponed. After the gradual easing of the MCO in Malaysia and global lockdown, The hygiene products manufactured by the Group has shown increased in demand from June 2020 onwards and the OEM Project for a sound system product in collaboration with a Chinese manufacturer has started deliveries in August 2020. The manufacturing segment had managed to reduce its operating costs during the MCO hence recorded a lower loss in current quarter under review.

Property development & construction segment recorded a revenue of RM11.7 million in current quarter under review as compared to RM18.3 million in previous quarter. This was mainly due to the progress of the construction work in Daerah Seberang Perai Utara had been affected by the MCO. This had resulted the PBT reduced by 51.4% from RM4.3 million in previous quarter to RM2.1 million in current quarter under review.

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

### **3. Prospects**

The global growth rate might be adversely affected by the current outbreak of the Covid-19. Henceforth, the Group will take proactive measures to ensure that it will remain steadfast and to optimise the opportunities presented in any economic situations.

In regard to the trade battle between China and the US, businesses in China will be impacted due to the tariffs imposed by the US Government. The Group views this as an opportunity for the flow of production into Malaysia for export of goods to the US. The Group has been approached by several parties in China, in addition to the current OEM Project that has been secured in collaboration with a Chinese manufacturer, to establish production collaboration for their products exported to US markets.

The Group will continue to invest in technologies, automation and even Industrial 4.0 in order to stay competitive in the global market. The strategy to improve its resources to provide the value-added and soft-skilled activities especially on the product design, research and development will be continued in order to evolve itself to be an Original Design Manufacturer (“ODM”) player. The Group will also continue to explore the opportunities and expand its existing hygiene and healthcare products.

As for property development and construction segment, the number of property transactions in 2020 might be adversely affected by the Covid-19 pandemic. However, the impact on affordable housing is expected to be minimal with the assistance provided by the Government. In light of the above, the Board believes that the property development and construction segment has great potential to grow and will continue to explore the opportunities in affordable housing. Other than affordable housing, the

Board will also explore other opportunities such as the development of industrial park. The Board believes that this will enhance our revenue and profitability.

Given the current situation, the Board will continue to its existing strategies in the gaming and leisure segment by way of increasing its sales network, more games to be introduced and a jointly operated casino operation. The Board believes that the gaming and leisure segment in Cambodia will remain resilient.

The Board had on 13 August 2020 announced that the Group had entered into a Memorandum of Understanding (“MOU”) with Jiangsu Suzhong Construction Group Co, Ltd (“Jiangsu”) and China Tianying Inc (“CTI”) to record their understanding relating to the cooperation, construction and operation of the Integrated Waste to Energy Industrial Park Facility propose to be established in Kedah, Malaysia (the “Project”) subject to a definitive Cooperation Agreement to be entered into between the Company, Jiangsu and CTI. The MOU and collaboration contemplated therein will serve as a platform for Luster to tap into the reputation, experiences and standing of Jiangsu and CTI for waste management projects. This will also provide a platform for Luster’s manufacturing division to expand its medical, hygiene and solid waste management products as well as extending its manufacturing and engineering capabilities to Jiangsu and CTI. Luster’s construction division will also be benefit from the construction works of the Project. With the increase in the awareness of environmental hygiene and sustainability, this collaboration will provide Luster with the opportunity to further extend its involvement in the waste management segment. This will also diversify the income stream and contribute to the profitability of Luster in the future.

The Board continues to explore the opportunities present in the market place either locally or abroad, from within its core business or other business segments, to enhance its revenue and profitability. The Board believes that diversification would stabilize and improve the Group’s future earnings.

#### 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

	<b>Individual Quarter 3 Months Ended</b>		<b>Cumulative Quarter 6 months Ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>30.06.20</b>	<b>30.06.19</b>	<b>30.06.20</b>	<b>30.06.19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
Based on results for the period:				
- Current tax	(519)	(532)	(1,566)	(973)

The Group's effective tax rates differ from statutory tax rate mainly because:

- a. Certain income and expenses which are not taxable and allowable; and
- b. Utilization of unabsorbed capital allowances by certain subsidiaries.

## 6. Profit before taxation

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 months Ended	
	(Unaudited) 30.06.20 RM'000	(Unaudited) 30.06.19 RM'000	(Unaudited) 30.06.20 RM'000	(Unaudited) 30.06.19 RM'000
Profit before taxation is arrived at after charging/ (crediting):				
Bad debt recovered	-	(1)	-	(1)
Depreciation	1,169	1,203	2,323	2,405
Depreciation of right-of-use assets	62	-	127	-
Gain on disposal of property, plant and equipment	-	32	-	20
Impairment loss on inventories	(48)	37	35	345
Interest expense	249	88	401	181
Interest income	(70)	(77)	(104)	(147)
Realised (gain)/ loss on foreign exchange	(694)	1	(580)	195
Rental income	(6)	-	(13)	(56)
Unrealised loss/(gain) on foreign exchange	734	(23)	248	125

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 16 October 2019 and 10 April 2020 issued 100,000,000 and 97,603,500 new ordinary shares respectively through private placement exercises. The placement shares were issued at an issue price of RM0.063 per share on 16 October 2019 and RM0.050 per share on 10 April 2020. The total proceeds of RM6,300,000 and RM4,880,175 were received respectively. The status of the utilisation of the total proceeds from private placement exercise is as follows:



<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation as at 30.06.20 RM'000</b>	<b>Balance as at 30.06.2020 RM'000</b>	<b>Intended Timeframe for Utilisation</b>
Property development expenditure	4,591	4,424	167	Within 12 months
Working capital	6,491	6,491	-	Within 12 months
Expenses for the corporate exercise	98	98	-	Within 2 weeks
	11,180	11,013	167	

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 30.06.20**

	<b>Non-Current RM'000</b>	<b>Current RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
Bankers acceptance	-	9,885	9,885
Finance lease liabilities	235	276	511
Revolving credit	-	2,000	2,000
Term loan	1,646	396	2,042
<b>Total</b>	<b>1,881</b>	<b>12,557</b>	<b>14,438</b>

**As at quarter ended 30.06.19**

	<b>Non-Current RM'000</b>	<b>Current RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
Bankers acceptance	-	7,143	7,143
Finance lease liabilities	631	1,115	1,746
Overdraft	-	-	-
Revolving credit	-	500	500
Term loan	242	35	277
Finance lease liabilities	873	8,793	9,666

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”]

The Company had on 18 December 2019 announced that the 2nd, 3rd, 4th and 5th defendants had filed an appeal to the Court of Appeal on 9 December 2019 and 10 December 2019 respectively against the Shah Alam High Court’s decision on 13 November 2019. The Court had fixed a further case management date on 01 October 2020 for the appeal filed by 2nd, 3rd, 4th and 5th defendant against the Company.

## 10. Proposed dividend

No dividend was proposed for the current quarter under review.

## 11. Earnings per share

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>6 months Ended</b>	
	<b>30.06.20</b>	<b>30.06.19</b>	<b>30.06.20</b>	<b>30.06.19</b>
Income attributable to owners of the parent (RM'000)	233	1,069	1,951	2,605
Adjusted number of issued ordinary shares of RM0.10 each ('000)	2,076,035	1,976,035	2,076,035	1,976,035
Effect of shares issued pursuant to private placement ('000)	97,604	-	97,604	-
Weighted average number of issued ordinary shares of RM0.10 each (‘000)	2,173,639	1,976,035	2,173,639	1,976,035
Basic earnings per share (sen)	0.01	0.05	0.09	0.13

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>30.06.20</b>	<b>30.06.19</b>	<b>30.06.20</b>	<b>30.06.19</b>
Profit attributable to owners of the parent (RM'000)	233	^	1,951	^
Weighted average number of issued ordinary shares each ('000)	2,119,474	^	2,119,474	^
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)	2,777,069	^	2,777,069	^
Diluted earnings per share (sen)	0.01	^	0.07	^

^ Based on the 30-days weighted average market price of share of Luster Industries Bhd. up to 30 June 2019, 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 August 2020**