



# **LUSTER INDUSTRIES BHD**

(156148-P)

(Incorporated in Malaysia)

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



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

	Unaudited as at 30-Sep-20 RM'000	Audited as at 31-Dec-19 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	50,354	51,330
Right-of-use assets	159	264
Goodwill on consolidation	6,446	6,446
Deferred tax assets	3,332	3,332
Trade receivables	7,340	5,521
Other receivables, deposits and prepayments	2,496	2,466
	<u>70,127</u>	<u>69,359</u>
<b>Current assets</b>		
Inventory properties	39,158	37,066
Inventories	20,533	18,159
Trade receivables	73,476	54,274
Contract assets	9,096	7,134
Contract costs	519	2,798
Other receivables, deposits and prepayments	30,124	30,884
Current tax assets	1,119	844
Fixed deposit with licensed banks	4,886	4,789
Cash and bank balances	21,930	18,570
	<u>200,841</u>	<u>174,518</u>
<b>TOTAL ASSETS</b>	<u>270,968</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	(18,969)	(23,759)
	<u>193,740</u>	<u>184,070</u>
Non-controlling interests	772	158
<b>Total equity</b>	<u>194,512</u>	<u>184,228</u>
<b>Non-current liabilities</b>		
Borrowings	1,748	2,125
Lease liabilities	-	41
Trade payables	5,755	4,515
Deferred taxation	777	764
	<u>8,280</u>	<u>7,445</u>
<b>Current liabilities</b>		
Trade payables	36,925	29,018
Other payables and accruals	15,274	13,356
Borrowings	12,460	7,497
Lease liabilities	197	233
Contract liabilities	1,177	784
Current tax liabilities	2,143	1,316
	<u>68,176</u>	<u>52,204</u>
<b>Total liabilities</b>	<u>76,456</u>	<u>59,649</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>270,968</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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER TO DATE	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Revenue	51,628	51,952	135,274	133,443
Cost of sales	<u>(43,510)</u>	<u>(41,888)</u>	<u>(115,674)</u>	<u>(111,413)</u>
<b>Gross profit</b>	<b>8,118</b>	10,064	<b>19,600</b>	22,030
Other income	90	444	906	680
Administrative expenses	(4,145)	(3,723)	(12,137)	(12,071)
Selling and distribution expenses	<u>(310)</u>	<u>(222)</u>	<u>(696)</u>	<u>(727)</u>
<b>Results from operating activities</b>	<b>3,753</b>	6,563	<b>7,673</b>	9,912
Finance costs	<u>(228)</u>	<u>(163)</u>	<u>(628)</u>	<u>(344)</u>
<b>Profit before tax</b>	<b>3,525</b>	6,400	<b>7,045</b>	9,568
Tax expense	<u>(741)</u>	<u>(1,602)</u>	<u>(2,307)</u>	<u>(2,453)</u>
<b>Profit for the period</b>	<b>2,784</b>	4,798	<b>4,738</b>	7,115
<b>Other comprehensive income:</b>				
Foreign currency translation differences for foreign operation	<u>(177)</u>	27	<u>60</u>	<u>24</u>
<b>Total comprehensive income for the period</b>	<b>2,607</b>	4,825	<b>4,798</b>	7,139
<b>Profit attributable to:</b>				
Owners of the parent	2,782	4,791	4,733	7,109
Non-controlling interests	<u>2</u>	<u>7</u>	<u>5</u>	<u>6</u>
	<b>2,784</b>	4,798	<b>4,738</b>	7,115
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	2,614	4,817	4,790	7,132
Non-controlling interests	<u>(7)</u>	<u>8</u>	<u>8</u>	<u>7</u>
	<b>2,607</b>	4,825	<b>4,798</b>	7,139
Basic earning per ordinary share (sen)	<u>0.13</u>	0.24	<u>0.22</u>	0.36
Diluted earnings per ordinary share (sen)	<u>0.10</u>	NA	<u>0.17</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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

|----- Attributable to owners of the parent -----|

|----- Non-distributable -----|

	Share capital RM'000	Foreign currency translation reserve RM'000	Warrant reserve RM'000	Discount on shares 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 2020	207,829	21	22,618	(22,618)	8,420	(32,200)	184,070	158	184,228
Total comprehensive income for the period	-	57	-	-	-	4,733	4,790	9	4,799
<i>Transactions with owners :</i>									
Issuance of shares pursuant to placement	4,880						4,880		4,880
Acquisition of interest in subsidiary							-	605	605
Total transactions with owners	4,880	-	-	-	-	-	4,880	605	5,485
As at 30 September 2020	<b>212,709</b>	<b>78</b>	<b>22,618</b>	<b>(22,618)</b>	<b>8,420</b>	<b>(27,467)</b>	<b>193,740</b>	<b>772</b>	<b>194,512</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	-	22	-	-	-	7,109	7,131	8	7,139
As at 30 September 2019	201,529	783	22,618	(22,618)	8,420	(35,031)	175,701	156	175,857

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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	30-Sep-20 RM'000	30-Sep-19 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	7,045	9,568
Adjustments for:		
Accretion of interest	17	-
Depreciation	3,490	3,616
Depreciation of right-of-use assets	185	-
Loss on disposal of property, plant and equipment	-	20
Impairment on inventories	56	343
Interest expense	628	344
Interest income	(180)	(543)
Unrealised (gain)/loss on foreign exchange	691	87
Operating profit before working capital changes	<u>11,932</u>	13,435
Changes in:		
Inventory properties	(2,092)	(402)
Inventories	(2,430)	(522)
Receivables	(20,179)	(28,603)
Contract assets	(1,962)	2,163
Contract costs	2,279	1,576
Payables	11,049	6,582
Contract liabilities	393	-
Cash from operations	<u>(1,010)</u>	(5,771)
Income tax paid	(1,742)	(469)
Interest paid	<u>(628)</u>	(344)
Net cash used in operating activities	<u>(3,380)</u>	(6,584)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of interest in subsidiary by non-controlling interest	605	-
Acquisition of Right of use	(78)	-
Interest received	180	791
Proceeds from disposal of property, plant and equipment	-	32
Purchase of property, plant and equipment	(2,512)	(585)
Net cash (used in)/from investing activities	<u>(1,805)</u>	238
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net changes in bankers' acceptance	3,266	6,205
Net changes in revolving credit	2,000	500
Payment of lease liabilities	(387)	-
Proceed from issuance of shares pursuant to placement	4,880	-
Repayment of finance lease liabilities	(96)	(427)
Repayment of term loan	(292)	(26)
Withdrawal of fixed deposits	-	1,028
Net cash from financing activities	<u>9,371</u>	7,280
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>4,186</u>	934
<b>Effects of foreign exchange rates changes</b>	(729)	(148)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<u>22,557</u>	20,944
<b>CASH AND CASH EQUIVALENTS AT END</b>	<u><b>26,014</b></u>	<u>21,730</u>
<b>Represented by:</b>		
Fixed deposits with licensed banks	4,084	3,971
Cash and bank balances	<u>21,930</u>	17,759
	<u><b>26,014</b></u>	<u>21,730</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>9 months ended 30.09.20 RM'000</b>	<b>9 months ended 30.09.19 RM'000</b>
<b>Segment Revenue</b>		
Manufacturing	87,896	85,224
Property development & construction	43,688	44,211
Gaming & leisure	3,690	4,008
Others	264	657
Total revenue including inter-segment sales	<u>135,538</u>	<u>134,100</u>
Elimination of inter-segment sales	<u>(264)</u>	<u>(657)</u>
Total revenue to external customers	<u><b>135,274</b></u>	<u><b>133,443</b></u>

	<b>9 months ended 30.09.20 RM'000</b>	<b>9 months ended 30.09.19 RM'000</b>
<b>Segment Results</b>		
Manufacturing	(1,358)	2,086
Property development & construction	9,372	7,896
Gaming & leisure	174	653
Others	1,356	(503)
Total results	<u>9,544</u>	<u>10,132</u>
Elimination	<u>(2,499)</u>	<u>(564)</u>
Profit before tax	7,045	9,568
Tax	(2,307)	(2,453)
Profit for the period	<u><b>4,738</b></u>	<u><b>7,115</b></u>

	<b>As at 30.09.20 RM'000</b>	<b>As at 30.09.19 RM'000</b>
<b>Segment Assets</b>		
Manufacturing	136,565	132,654
Property development & construction	142,688	104,319
Gaming & leisure	6,541	6,234
Others	222,602	183,753
Total assets before elimination	<u>508,396</u>	<u>426,960</u>
Elimination	<u>(237,428)</u>	<u>(197,117)</u>
Total assets	<u><b>270,968</b></u>	<u><b>229,843</b></u>

<b>Segment Assets by Locations</b>		
Malaysia	264,427	223,609
Cambodia	6,541	6,234
Total assets	<u><b>270,968</b></u>	<u><b>229,843</b></u>

	<b>As at 30.09.20 RM'000</b>	<b>As at 30.09.19 RM'000</b>
<b>Segment Liabilities</b>		
Manufacturing	49,269	27,360
Property development & construction	78,524	50,352
Gaming & leisure	574	3,039
Others	17,370	11,085
Total liabilities before elimination	<u>145,737</u>	<u>91,836</u>
Elimination	<u>(69,281)</u>	<u>(37,851)</u>
Total liabilities	<u><b>76,456</b></u>	<u><b>53,985</b></u>
<b>Segment Liabilities by Locations</b>		
Malaysia	75,882	53,333
Cambodia	574	652
Total liabilities	<u><b>76,456</b></u>	<u><b>53,985</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 except the following:

Further to the announcement made on 30 September 2020 that Exzone Precision Engineering Sdn Bhd ("EPE"), a wholly-owned subsidiary of the Company, had entered into a joint venture agreement with Tech Idea Limited to undertake the manufacturing of speaker systems and headphone products, both wired and wireless for products of speaker systems, headphone, unified communication products and other related products through a joint venture company namely TSI Zone (Malaysia) Sdn Bhd ("TSIZ"), EPE had on 19 October 2020 increased its shareholdings in TSIZ from 40% to 60%.

The Company had on 22 October 2020 announced that a 56% owned joint venture company, namely Glovmaster Sdn Bhd had been incorporated.

### 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	2,054
- Sale and Purchase Agreement	2,050
	<u>7,814</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) 30.09.20 RM'000</b>	<b>(Unaudited) 30.09.19 RM'000</b>	
	Revenue	51,628	
Results from operating activities	3,753	6,563	(42.82)
Profit before tax	3,525	6,400	(44.92)
Profit after tax	2,784	4,798	(41.98)
Profit attributable to owners of the parent	2,782	4,791	(41.93)

The revenue and profit before tax (“PBT”) recorded by the Group was RM51.6 million and RM3.5 million respectively in current quarter under review as compared to RM52.0 million and RM6.4 million respectively in previous year corresponding quarter.

The lower revenue recorded by the Group was mainly attributed by the lower revenue recorded in the property development & construction segment which was RM13.7 million in current quarter under review as compared to RM22.6 million in previous year corresponding quarter. The lower revenue recorded in current quarter under review was mainly due to the on-going housing project in Daerah Seberang Perai Utara has approached its completion stage. A PBT of RM2.9 million recorded in current quarter under review as compared to RM5.3 million in previous year corresponding quarter was attributed to the lower revenue being recognized during the current quarter under review.

The revenue recorded in manufacturing segment were RM36.7 million in current quarter under review as compared to RM26.9 million in previous year corresponding quarter. The Group has secured more OEM Projects as compare to previous year corresponding quarter, which is in-line with the strategy of the Group moving towards to be an OEM company. The OEM products which yield a higher selling price due to the incorporation of the high value purchase of electronic and electrical components into the selling price has caused the revenue for this segment to increase. As the Company is moving forward to be a significant player in the OEM category, resources mainly on human capital, equipment and technology have been put in place to meet the requirements of the customers. These resources put in-place currently are adequate to support the further growth of the OEM businesses without incurring further significant investment. With all these resources put in-place, the Company has to carry a slightly higher overhead currently with the potential to grow the OEM businesses

further. This has caused the PBT for the current quarter under review to be lower as compare to the previous year corresponding quarter from RM1.4 million to RM0.9 million.

The gaming & leisure segment recorded a revenue of RM1.2 million in current quarter under review as compared to RM1.4 million in previous year corresponding quarter. The gaming & leisure segment recorded a PBT of RM0.1 million in current quarter under review as compared to the previous year corresponding quarter of RM0.3 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 administrative expenses in the current quarter under review. Without this reclassification, the PBT in the current quarter under review would be RM0.2 million.

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

	<b>Cumulative Quarter 9 months Ended</b>		
	<b>(Unaudited) 30.09.20 RM'000</b>	<b>(Unaudited) 30.09.19 RM'000</b>	<b>Changes %</b>
Revenue	135,274	133,443	1.37
Results from operating activities	7,673	9,912	(22.59)
Profit before tax	7,045	9,568	(26.37)
Profit after tax	4,738	7,115	(33.41)
Profit attributable to owners of the parent	4,733	7,109	(33.42)

The revenue had increased by 1.37% from RM133.4 million in previous year corresponding period to RM135.3 million in current reporting period. The PBT in current reporting period was RM7.0 million as compared to RM9.6 million in previous year corresponding period.

The manufacturing segment had recorded a revenue of RM87.9 million in current reporting period as compared to RM85.2 million in previous year corresponding period. This was mainly due to the deliveries of the OEM audio product. The loss recorded in current reporting period was RM1.4 million as compared to PBT of RM2.1 million in previous year corresponding period. 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 and PBT recorded in property development and construction segment were RM43.7 million and RM9.4 million respectively in current reporting period as compared to RM44.2 million and RM7.9 million respectively in previous year corresponding period. This was mainly due to the profit recognised in current reporting period was mainly contributed from Phase 4 of an on-going housing project in Daerah Seberang Perai Utara which has a higher margin as compared to Phase 3 of the same project in previous year corresponding period for the construction of low-cost houses.

The gaming and leisure segment had recorded a revenue of RM3.7 million in current reporting period as compared to RM4.0 million previous year corresponding period. The PBT in current reporting period was RM0.2 million as compared to RM0.7 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 administrative expenses in the current reporting period. Without this reclassification, the PBT in the current reporting period would be RM0.6 million.

## 2. Variation of results against preceding quarter

	<b>Individual Quarter 3 Months Ended</b>		
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>Changes %</b>
	<b>30.09.20 RM'000</b>	<b>30.06.20 RM'000</b>	
Revenue	51,628	35,432	45.71
Results from operating activities	3,753	1,000	275.30
Profit before taxation	3,525	751	369.37
Profit after taxation	2,784	232	1,100.00
Profit attributable to owners of the parent	2,782	233	1,093.99

The revenue recorded in current quarter under review was RM51.6 million as compared to a revenue of RM35.4 million in previous quarter. The PBT was RM3.5 million in current quarter under review as compared to RM0.8 million in previous quarter. This was mainly due to lower business activities as a result of the MCO in previous quarter.

The revenue in the manufacturing segment had increased by RM14.1 million from RM22.6 million in previous quarter to RM36.7 million in current quarter under review. The PBT recorded in current quarter under review was RM0.9 million as compared to loss of RM0.8 million in previous quarter. The lower sales recorded in previous quarter 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 reported a profit after the deliveries resumed at the end of previous quarter.

Property development & construction segment recorded a revenue of RM13.7 million in current quarter under review as compared to RM11.7 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 in previous quarter. The PBT recorded was RM2.9 million in current quarter under review as compare to RM2.1 million in previous quarter.

The gaming & leisure segment had recorded a revenue of RM1.2 million in current quarter under review as compared to RM1.1 million in previous quarter. The gaming & leisure segment recorded a breakeven in PBT in previous quarter as compared to a PBT of RM0.1 million in current quarter under review.

### 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.

On 30 September 2020, Exzone Precision Engineering Sdn Bhd (“EPE”), a wholly-owned subsidiary of the Company, had entered into a joint venture agreement with Tech Idea Limited (“TIL”) to undertake the manufacturing of speaker systems and headphone products, both wired and wireless for products of speaker systems, headphone, unified communication products and other related products through a 60% owned company namely TSI Zone (Malaysia) Sdn Bhd (“TSIZ”). TIL, through its parent company, Tai Sing Industrial Company Limited, will transfer its manufacturing and engineering technology including the research & development capabilities to TSIZ which will benefit the Group’s manufacturing division. This is also in line with the Group’s manufacturing division strategy to enhance its manufacturing and engineering capabilities as well as its research and development abilities.

The Group had on 19 October 2020 announced that there was a joint venture arrangement between Fortune Tac Sdn Bhd (“FTSB”) and Luster to jointly undertake the business of manufacturing, sales and distribution of gloves. Through the joint venture, it allows the Group to expand its existing manufacturing arm to include gloves as its new manufactured products. This will become a new business segment to the Group, which is expected to have additional income stream to the Group. The Board is optimistic of the potential demand for gloves premised on the outlook of the glove industry. Barring any unforeseen circumstance, the Board believes that the manufacturing segment will contribute positively to the enlarged Group's financial result moving forward.

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. The Group has started the preliminary work on the Cyber South Project to initially build townhouse and landed houses.

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 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</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended</b>		<b>9 Months Ended</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>30.09.20</b>	<b>30.09.19</b>	<b>30.09.20</b>	<b>30.09.19</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	(708)	(1,602)	(2,274)	(2,453)
(Under)/over provision in prior year:				
- Current tax	(33)	-	(33)	-
	<u>(741)</u>	<u>(1,602)</u>	<u>(2,307)</u>	<u>(2,453)</u>

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 9 months Ended	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30.09.20	30.09.19	30.09.20	30.09.19
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/ (crediting):				
Bad debt recovered	-	-	-	(1)
Depreciation	1,167	1,229	3,490	3,616
Depreciation of right-of-use assets	58	-	185	-
Impairment loss on inventories	21	(2)	56	343
Interest expense	228	163	628	344
Interest income	(76)	(396)	(180)	(543)
Loss on disposal of property, plant and equipment	-	-	-	20
Realised loss/(gain) on foreign exchange	5	21	(575)	212
Rental income	(7)	(23)	(20)	(70)
Unrealised loss/(gain) on foreign exchange	443	(38)	691	87

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:

- i. 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 total proceeds from the private placement exercise had been completely utilised.
- ii. On 13 October 2020, the Company had issued 237,124,202 new ordinary shares through private placement exercise. The placement shares were issued at an issue price of RM0.111 per share. The total proceeds of RM26,320,786.42 was received. 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 30.09.20 RM'000</b>	<b>Balance as at 30.09.2020 RM'000</b>	<b>Intended Timeframe for Utilisation</b>
General working capital	26,251	-	26,251	Within 12 months
Expenses for the corporate exercise	70	-	70	Within 2 weeks
	26,321	-	26,321	

iii. On 19 October 2020, the Company proposed to undertake the following corporate exercises:-

- a. A joint venture arrangement between Fortune Tac Sdn Bhd and Luster to jointly undertake the business of manufacturing, sales and distribution of gloves ("Proposed Joint Venture");
- b. A diversification of the existing principal activities of Luster and its subsidiaries to include manufacturing, sales and distribution of gloves ("Proposed Diversification"); and
- c. Proposed private placement of 482,150,000 ordinary shares of Luster, representing approximately 20% of the total number of Shares at the subscription price of RM0.125 per Placement Share to be satisfied entirely via cash ("Proposed Private Placement").

Bursa Malaysia Securities Berhad had, vide its letter dated 24 November 2020, resolved to approve the listing and quotation of 482,150,000 new Luster Shares to be issued pursuant to the Proposed Private Placement, subject to certain conditions as announced on 25 November 2020.

## 8. Borrowings and debts securities

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

**As at quarter ended 30.09.20**

	<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	209	172	381
Revolving credit	-	2,000	2,000
Term loan	1,539	403	1,942
<b>Total</b>	<u>1,748</u>	<u>12,460</u>	<u>14,208</u>

**As at quarter ended 30.09.19**

	<b>Non-Current RM'000</b>	<b>Current RM'000</b>	<b>Total RM'000</b>
<b>Secured</b>			
Bankers acceptance	-	7,705	7,705
Finance lease liabilities	473	983	1,456
Overdraft	-	-	-
Revolving credit	-	2,000	2,000
Term loan	233	36	269
Finance lease liabilities	<u>706</u>	<u>10,724</u>	<u>11,430</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”]

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 08 December 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>9 months Ended</b>	
	<b>30.09.20</b>	<b>30.09.19</b>	<b>30.09.20</b>	<b>30.09.19</b>
Income attributable to owners of the parent (RM'000)	2,782	4,791	4,733	7,109
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)	61,626	-	61,626	-
Weighted average number of issued ordinary shares of RM0.10 each ('000)	2,137,661	1,976,035	2,137,661	1,976,035
Basic earnings per share (sen)	0.13	0.24	0.22	0.36

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>9 months Ended</b>	
	<b>30.09.20</b>	<b>30.09.19</b>	<b>30.09.20</b>	<b>30.09.19</b>
Profit attributable to owners of the parent (RM'000)	2,782	^	4,733	^
Weighted average number of issued ordinary shares each ('000)	2,137,661	^	2,137,661	^
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)	2,795,256	^	2,795,256	^
Diluted earnings per share (sen)	0.10	^	0.17	^

^ Based on the 30-days weighted average market price of share of Luster Industries Bhd. up to 30 September 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 26th day of November 2020**