
2. PARTICULARS OF THE PUBLIC ISSUE

This Prospectus is dated 11 August 2003.

A copy of this Prospectus has been registered with the SC and lodged with the Chief Executive Officer of the CCM who takes no responsibility for its contents.

The approval of the SC obtained vide its letter dated 28 January 2003 shall not be taken to indicate that the SC recommends the Public Issue. Investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

Application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of Luster on the Main Board of the KLSE. These Shares will be admitted to the Official List on the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the Public Issue Shares will be conditional upon permission being granted by the KLSE to deal in and the quotation for the entire enlarged issued and fully paid-up Shares of Luster on the Main Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the Public Issue will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe. Admission to listing is not being sought on any other stock exchange.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed Luster as a prescribed security. In consequence thereof, the Shares issued through this Prospectus will be deposited directly with the MCD and any dealing in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

Pursuant to the Listing Requirements of KLSE, an applicant must have at least 25% of the total number of shares for which listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 shares each at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing on the Main Board of the KLSE.

The SC and KLSE assume no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by Luster. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Luster since the date hereof.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

The distribution of this Prospectus and the making of the Public Issue in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.

2.1 Share Capital

	Par Value	RM
Share Capital		
Authorised		
100,000,000 Shares	RM1.00	<u>100,000,000</u>
Issued and fully paid-up as at the date of this Prospectus		
50,080,000 Shares	RM1.00	50,080,000
To be issued pursuant to the Public Issue		
9,920,000 Shares	RM1.00	9,920,000
Total enlarged share capital		<u><u>60,000,000</u></u>
PUBLIC ISSUE PRICE PER SHARE	RM1.00	<u>RM1.40</u>

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the Public Issue Shares.

Subject to any special rights attaching to any Share which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and the whole of any surplus in the event of the liquidation of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.2 Details of the Public Issue

The Public Issue of 9,920,000 Shares at a Public Issue price of RM1.40 per Share is payable in full on application upon such terms and conditions as set out in this Prospectus.

The 9,920,000 Shares arising from the Public Issue will be allocated and allotted in the following manner:-

(i) **Malaysian Public**

2,167,000 Public Issue Shares representing 3.61% of the enlarged paid up share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions;

(ii) **Eligible Directors and Employees**

2,113,000 Public Issue Shares representing 3.52% of the enlarged paid up share capital have been reserved for eligible Directors and employees of the Luster Group who are Malaysians;

(iii) **Bumiputera Investors and Institutions Approved by MITI**

1,640,000 Public Issue Shares representing 2.73% of the enlarged paid up share capital will be reserved for Bumiputera Investors and Institutions approved by MITI; and

(iv) **Private Placement**

4,000,000 Public Issue Shares representing 6.67% of the enlarged paid up share capital by way of Private Placement to potential investors (who are deemed public).

The Public Issue Shares of 9,920,000 represents approximately 16.53% of the enlarged issued and paid-up share capital of the Company of 60,000,000 Shares.

The Shares in respect of paragraph (i) and (ii) above have been fully underwritten. Any Share in respect of paragraph (ii) not subscribed for by the eligible Directors and employees of the Luster Group will be made available for application by the Malaysian public. The Public Issue Shares in paragraph (iii) and (iv) have not been underwritten.

There is no minimum subscription required to be raised for the purpose of the Public Issue.

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2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.3 Details on the Pink Forms Allocation

A brief description on the criteria of allocation of the Pink Forms as approved by the Board of Directors to the Directors and Malaysian employees of the Group who are confirmed in service, is as follows:-

Category	Number	No. of Shares to be Allocated to Each Person Based on Seniority in Terms of Years of Service			Pink Form Allocation
		Below 5 Years	5 - 10 Years	Above 10 Years	
Directors	9	9,000	10,000	11,000	90,000
Senior managerial personnel	9	9,000	10,000	11,000	86,000
Managerial and professional	10	8,000	9,000	10,000	85,000
Junior managerial personnel	17	7,000	8,000	9,000	133,000
Assistant Manager, high-technical skilled and specialist	22	5,000	6,000	7,000	135,000
Executives, Section Heads, Engineers and Senior Officers	36	2,000	3,000	4,000	90,000
Senior technical and supervisory	186	1,000	2,000	3,000	298,000
Technical, clerical and related occupations	331	1,000	2,000	3,000	538,000
General workers and Factory workers	399	1,000	2,000	3,000	658,000
Total	1,019				2,113,000

However, the above pink forms allocation is subject to the Directors and employees subscribing to their respective allocations.

The details of the Directors' Pink Forms allocation are as follows:-

Name of Directors	Pink Forms Allocation
Abdul Gafoor @ Abdul Gafoor Khan	9,000
Lim See Chea	11,000
Chiang Chong Kooi	11,000
Lim See Hua	11,000
Hang Kok Long	11,000
Fong Swee Hin	10,000
Chatar Singh a/l Santa Singh	9,000
Tengku Sepachendra Tengku Abdul Rashid	9,000
Tunku Dato' Dr. Ismail Bin Tunku Mohammad Jawa	9,000
Total	90,000

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.4 Critical Dates of the Public Issue

Events	Tentative Date
Date of Prospectus – Opening date of Application list for the Public Issue	11 August 2003
Closing of Application list for the Public Issue	22 August 2003
Tentative date for balloting of Applications	26 August 2003
Tentative date of despatch of notices of allotment of the Public Issue Shares of Luster to successful applicants	5 September 2003
Tentative listing date of the Company's entire issued and paid-up share capital on the Main Board of the KLSE	11 September 2003

Important note:-

The application period will remain open until 8.00 p.m. on 22 August 2003 or such further period or periods as the Directors and/or Promoters of Luster together with Managing Underwriter may decide.

2.5 Purposes of the Public Issue

The purposes of the Public Issue are as follows:-

- (i) The listing of Luster Shares on the Main Board of the KLSE is expected to further enhance the Group's corporate image and assist the Group in expanding its customer base both in Malaysia and overseas;
- (ii) To provide an opportunity for Malaysian investors and the eligible Directors and employees of the Luster Group to participate in the equity and continuing growth of the Luster Group;
- (iii) To enable the Luster Group to gain access to the capital markets for funds for its future expansion; and
- (iv) To obtain a listing of and quotation for Luster's entire issued and paid-up share capital on the Main Board of the KLSE.

2.6 Utilisation of Proceeds of the Public Issue

The total gross proceeds of approximately RM13,888,000 to be raised from the Public Issue will accrue to Luster and shall be utilised by Luster Group as follows: -

Description	Note	RM'000
Repayment of bank borrowings	a	4,047
Capital expenditure	b	5,827
Investment in new robotic arms	c	200
Acquisition of companies	d	2,114
Estimated listing expenses	e	1,700
Total		13,888

Pending the receipt of proceeds from the Public Issue, Luster has incurred additional borrowings of RM3.00 million to finance part of capital expenditure and RM2.11 million for acquisition of companies. As such, in addition to the RM4.04 million specifically earmarked for repayment of bank borrowings, the Company will utilise a further RM5.11 million to repay the abovementioned additional borrowings.

Further details are set out below.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**Notes:-****a) *Repayment of Bank Borrowings***

RM4.05 million of the proceeds from the Public Issue will be used to retire the bank borrowings.

The bank borrowings were granted by RHB Bank Berhad and Bumiputra Commerce Bank Berhad and were utilised to finance the working capital of the Group. As at 30 June 2003, the total bank borrowings were RM32.4 million. Interest is charged at approximately 3.5% per annum. Interest savings arising from the repayment of the bank borrowings is estimated at RM142,000 per annum.

b) *Capital Expenditure*

Luster Group expects to spend approximately RM5.83 million for capital expenditure, the details of which are as follows: -

<u>Items</u>	<u>Expected Cost (RM'000)</u>
(i) Purchase of new machinery and equipment	1,765
(ii) Upgrading of existing operations systems	4,062
Total	5,827

Pending the receipt of the Public Issue proceeds, Luster Group has partly financed approximately RM3.0 million of the above capital expenditure by bank borrowings. Hence, approximately RM3.0 million of the RM5.83 million proceeds from Public Issue allocated for capital expenditure will be utilised to repay the said bank borrowings.

(i) *Purchase of new machinery and equipment*

Purchase of new machinery and equipment for the following:-

- design and fabrication of mould and die; and
- manufacturing of high precision and precision plastic parts and components.

Currently Luster Group has the capacity to produce approximately 15 to 20 moulds per month.

To expand its mould fabrication and design activities, the Group proposes to invest in the following additional machinery and equipment for LPE and LCW: -

Machinery and Equipment	Quantity	Unit Price	Total Amount (RM)
HAAS Toolroom CNC Milling Machine	5	RM 98,000	490,000
HAAS VF-3 Vertical Machinery Centre	1	RM 265,000	265,000
Chermilles ROBOFIL 390 CNC Wire-Cut EDM	1	Sfrs 200,000	510,000
Charmilles ROBOFORM 35P Die-Sink EDM	1	Sfrs 196,000	499,800

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

These are high-end machinery that are used for profiling and cutting moulds for high precision manufacturing in view of the market trend whereby products have become more sophisticated in design and appearance.

This investment in machineries is part of Luster's growth plan to expand into optoelectronic and castor wheel industry.

Luster Group intends to purchase these equipment and machinery within one(1) year from the date of Listing.

(ii) Upgrading of existing operations systems

Luster Group also intends to upgrade its existing operations in the following areas:-

- implementation of electrical power distribution system; and
- improvement in the air-flow system in paint spraying facilities.

The implementation of the electrical power distribution system will bring about cost savings through efficient use of electricity. The high tension cables are expected to lower the rate/kwh from RM0.258/kwh to RM0.208/kwh during peak hour and RM0.128/kwh during off peak hour. The savings on electricity consumption is estimated at RM300,000 per annum.

The improvements in air-flow system is to comply with clean room conditions to ensure that there is minimal dust. This is for the application of paint spraying of high precision plastic parts and components.

Other upgrade of facilities includes the implementation of ERP at an estimated cost of RM2.5 million. The ERP investment is expected to integrate the supply chain of various customers and suppliers.

The ERP will provide the following benefits:-

- (i) To position Luster Group as preferred supplier in the supplier chain;
- (ii) To enable the Group to respond faster and with more flexibility to the customers;
- (iii) It provides the Group with E-capability in conducting business transactions; and
- (iv) It provides the Group with better control on product quality and materials management.

The ERP system will enhance productivity, as the human resources will be utilised for more value added activities rather than routine activities.

c) **Investment in New Robotic Arms**

For the manufacturing of precision plastic parts and components, Luster Group intends to automate the plastic injection moulding process by using robotic technology. This is to reduce the dependency on manual labour, increase the production output and maintain consistency in the quality of products.

Luster Group plans to purchase three robotic arms within one(1) year from the date of Listing.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

d) *Acquisition of Companies*

As part of the listing scheme, Luster acquired the following companies: -

Company	Equity Interest (%)	Amount (RM)
LCW	51.00	966,780
LPE	10.00	1,147,491
Total		<u>2,114,271</u>

Pending the receipt of the Public Issue proceeds, the Acquisitions were financed by bank borrowings. The Acquisitions were completed on 31 March 2003. Therefore, the proceeds allocated for the acquisition of companies will be used to repay the said borrowings.

Details of the Acquisitions are set out in Section 4.4 of the Prospectus.

e) *Estimated Listing Expenses*

The expenses relating to the listing of and quotation for the entire issued and paid-up share capital of 60,000,000 Shares in Luster on the Main Board of the KLSE is estimated at RM1.7 million. Which comprise of professional fees of approximately RM650,000; underwriting commission, brokerage, advertising, printing and registration of Prospectus of approximately RM722,000; relevant authorities' fees of approximately RM65,000 and other miscellaneous expenses to be borne by the Company. Any variation in the actual listing expenses from the estimated amount will be adjusted via the working capital of Luster.

The proceeds of the Public Issue are expected to be fully utilised within one(1) year from the date of Listing.

2.7 Underwriting Commission and Brokerage

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 4,280,000 Public Issue Shares to be offered to the Malaysian public, eligible Directors and employees of Luster Group. Details of Shares underwritten are set-out in Section 2.2 of this Prospectus. Underwriting commission is payable by the Company at 2.0% of the total underwritten Shares of 4,280,000 at RM1.40 per Share to the respective Underwriters.

Brokerage is payable in respect of the Public Issue Shares by the Company at the rate of 1.0% of the price of RM1.40 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.8 Salient Terms of the Underwriting Agreement

The following are extract of some of the salient Clauses contained in the Underwriting Agreement dated 22 July 2003, including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer:-

"2. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

2.01 Representations, Warranties And Undertakings by the Company

In consideration of the Underwriters agreeing at the request of the Company to underwrite the Underwritten Shares, the Company hereby represents, warrants and undertakes to the Underwriters:-

- (a) that the Company shall fulfil all conditions, comply with all the requirements and provisions of the Companies Act, 1965, Malaysia, the guidelines and the directions of the Securities Commission, the listing requirements of the KLSE and requirements of all statutory or governmental authorities in relation to the Public Issue and listing of its ordinary shares;
- (b) that the Company will make applications to the KLSE for permission to deal and quotation thereon of all its ordinary shares and obtain the approval in principle of the KLSE for the listing and quotation of the Underwritten Shares not later than the date of the Prospectus and in connection with such applications, the Company shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or advisable in order to obtain such permissions and quotations;
- (c) that all consents, approvals, authorisations, or other orders required by the Company under the laws of Malaysia for or in connection with the Public Issue and quotation of the Underwritten Shares will (if not already obtained as at the date hereof) be obtained and be in force and all other action will be taken by the Company to comply with all legal and other requirements necessary to ensure that the foregoing actions will not infringe any existing laws or the terms of any such consent, approval or authorisation;
- (d) that the authorisation of the issue of the Prospectus and the compliance by the Company with its terms and the terms of this Agreement:-
 - (i) are in accordance with and do not conflict with, or result in a breach of any of the terms or provisions of or constitute a default under, the Memorandum and Articles of Association of the Company or any of its subsidiaries or any existing law, regulation, guidelines or listing requirements applicable to or affecting the Company or any of its subsidiaries;
 - (ii) infringe the terms of, or constitute a default under any law, judgement, order, licence, permit, consent, trust deed, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party, or by which the Company or any of its subsidiaries or any part of the undertaking, assets, property or revenues of the Company or any of its subsidiaries is bound or affected; and

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (iii) do not, and up to and on the Listing Date will not, infringe the terms of, or constitute a default under any trust deed, agreement or other instrument or obligation to which the Company is a party or by which it is bound;

and the execution and issue or delivery by the Company of this Agreement, the Prospectus, the Underwritten Shares and the performance of the obligations to be assumed thereunder have been duly authorised by the Company so that upon due execution or (in the case of the Underwritten Shares) delivery of the relevant share certificates, will constitute valid and legally binding obligations of the Company in accordance with their respective terms;

- (e) the Prospectus will be in the form and/or substance satisfactory and acceptable to the Securities Commission, KLSE and other relevant authorities and will contain all information which is material in the context of the Public Issue. The information contained in the Prospectus:-

- (i) will be true, complete and accurate in all material respects;
- (ii) will not omit any material fact required or necessary to be stated with regard to the Public Issue; and
- (iii) in light of the circumstances under which they are made, is not misleading in any respect;

and that the directors of the Company (the "**Directors**") have made reasonable enquiries to ascertain all facts material for disclosure in the Prospectus and have reasonably verified the completeness and accuracy of all such information and that no material fact has been omitted which would have made any statement therein misleading; that save as may be disclosed in the Prospectus, the Company and its subsidiaries are not in default under or in breach of any agreement to which they are individually and severally bound or of any licence, permit, directive, legislation or regulation of any relevant authority (including the Companies Commission of Malaysia, KLSE and the Securities Commission) applicable to or affecting them or any one of them, the effect of which would materially and adversely affect the financial condition of the Company and/or any of its subsidiaries or the Luster Group taken as a whole, and no litigation, arbitration, administrative proceedings (including investigations or inquiries by the Companies Commission of Malaysia, KLSE and the Securities Commission) or criminal charge or investigation is presently current or pending or to the knowledge of the Company threatened against the any member of the Luster Group the effect of which would materially and adversely affect the financial condition of any member of the Luster Group or the Luster Group taken as a whole and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto and no circumstances have arisen under which any person is now or will with the lapse of time, the giving of notice or the issuing of a certificate, be entitled to require or demand payment of any indebtedness or guarantee of any member of the Luster Group by reason of default by any of them or other person the effect of which would materially and adversely affect the financial condition of any member of the Luster Group and/or any of its subsidiaries or the Luster Group taken as a whole;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (f) that no other circumstances or situations which have not been disclosed in the Prospectus have arisen which is or are likely to materially and adversely affect the condition of either the Company and/or any of its subsidiaries, financial or otherwise, or the earnings, affairs or business prospects of either the Company and/or any of its subsidiaries or the Luster Group taken as a whole;
- (g) that the audited accounts of the Company for the financial year ended 31 December 2002 and three months period ended 31 March 2003 have been prepared in accordance with the law and on a consistent basis in accordance with accounting principles, standards and practices generally accepted in Malaysia as at the date of the accounts so as to give a true and fair view of the state affairs of the Company and the Luster Group as a whole as at the date of the accounts and of the profits and losses for the period concerned and so far as is material for disclosure for the purposes of the accounts, the accounts have made adequate provision for appropriate disclosures for all known material liabilities, whether actual or contingent, of the Company and of the Group as a whole as at such dates and have complied in all material respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia;
- (h) that no member of the Luster Group has entered into any contracts or commitments of an unusual and onerous nature except as have been disclosed in the Prospectus;
- (i) the Company will be responsible for the approval of all applications submitted except where such applications are not duly completed or signed or not accompanied by remittances for the appropriate amount and that all necessary consents, approvals and authorisations required for or in connection with the execution of this Agreement, the delivery by the Company of the Prospectus, the performance of the obligations to be assumed under this Agreement by the Company and the issue of the Public Issue Shares and any other matters contemplated herein have been or will be unconditionally obtained, or, if granted subject to conditions, such conditions being fulfilled to the satisfaction of the Underwriters, and are or will be in full force and effect and will constitute valid, binding and enforceable obligations of the Company, in accordance with their respective terms;
- (j) that other than as disclosed in the Prospectus, after proper and due enquiry, the Company and each of the company within the Luster Group has since the date of its last audited accounts carried on business in the ordinary and usual course and since such date has not made any commitments or disposal which are material other than in the ordinary course of business or entered into any contracts or commitments of an unusual or onerous nature;
- (k) that the Company shall comply with the terms and conditions hereof;
- (l) that all information supplied or to be supplied to the Underwriters is true, complete and accurate in all respects;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (m) the Company is a company duly incorporated under the laws of Malaysia and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and save as disclosed in the Prospectus:-
- (i) is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager, administrator and/or judicial manager of any member of the Group or over any of their respective assets or undertakings;
 - (ii) no petition has been presented nor any other step taken for the purpose of winding up any member of the Group nor has any order been made nor resolution passed for the winding up of any member of the Group nor a notice of such resolution given;
 - (iii) no administrator, manager nor receiver has been appointed over any member of the Group or any part of their respective assets and/or undertakings nor has any other step been taken to enforce any encumbrance or all or any part of their respective assets and/or undertakings;
 - (iv) no member of the Group has convened a meeting of their respective creditors nor has any of them proposed or made any arrangement or composition with, or any assignment for the benefit of, their respective creditors including any schemes pursuant to Section 176 of the Companies Act 1965 nor has an originating process been filed or an order made or a meeting convened for the purpose of considering a resolution or other steps are taken for making an administration order against or for winding up or dissolution of any member of the Group (other than for the purposes of and followed by a reconstruction or amalgamation, but excluding a reconstruction or amalgamation where during or following such reconstruction the relevant member of the Group becomes or is declared to be insolvent); or
- (n) no member of the Group is an "affected person" as defined in the Pengurusan Danaharta Nasional Berhad Act;
- (o) no circumstances or situations have arisen in relation to any member of the Group, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their respective assets is subject, any event which, in the reasonable opinion of the Underwriters, appears in that country or territory to correspond with, or have an effect equivalent or similar to, any of those mentioned herein or any member of the Group otherwise becomes subject, in any such country or territory, to the operation of any law relating to winding-up, insolvency, bankruptcy or liquidation;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (p) since last audited accounts date, there has been no material adverse change in the financial position, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Group taken as a whole, save as may be disclosed in:-
- (i) the Prospectus;
 - (ii) any public announcement;
 - (iii) publicly available document; or
 - (iv) disclosed in writing to the Underwriters prior to the date of this Agreement;
- (q) all expressions of opinion, intention and expectation (including, without limitation, any profit and cash-flow budgets) which have been or will be disclosed in writing to the Underwriters in connection with the Public Issue are based on relevant considerations and facts for the time being considered by the Directors to be reasonable and fair and are truly and honestly held by the Directors and have been or will be made after due and careful consideration;
- (r) other than indebtedness contested in good faith by the relevant member of the Group as disclosed in the Prospectus, no outstanding indebtedness of any member of the Group has become payable by reason of default and there are no circumstances (of which the Company is or ought reasonably to be aware) which with the lapse of time or the fulfilment of any condition or the giving of notice, may result in any such indebtedness becoming so payable;
- (s) all taxes (whether income tax, property tax or otherwise) of each member of the Group which are material for which it is liable or which ought to have been paid, have been duly paid or adequately provided for in the accounts;
- (t) all the returns notices or information which are made or given by each member of the Group for taxation are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant and appropriate authorities, and there are no circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute;
- (u) the records, statutory books and books of accounts of the each member of the Group are duly prepared and maintained in accordance with all legal requirements applicable to it and contain true, complete and accurate records of all matters required to be dealt with and all such books and all records and documents (including documents of title) which are the property of the respective members of the Group are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the Companies Commission of Malaysia have been duly and correctly delivered or made;
- (v) all the assets and business of each member of the Group which are of an insurable nature have at all material times been and are at the date of this Agreement adequately insured against fire and other risks normally insured against by persons carrying on similar businesses or owning property of a similar nature; and

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (w) in respect of insurance, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party.

2.02 Undertakings By Company

The Company further undertakes with the Underwriters and each of them as follows:-

- (a) that the Prospectus shall be in form and substance satisfactory and acceptable to and approved by the Securities Commission and that the Prospectus contains all information with respect to the Company and its subsidiaries which is or may be material and that such information is true, complete and accurate in all respects and does not contain any untrue statement or omission of material fact required to be stated therein or necessary to make the statements therein not misleading and where any statements in the Prospectus relate to opinions, expectations or intentions, that the opinions, expectations and intentions stated therein are carefully considered based on relevant considerations and facts existing as at the date hereof and are fair, reasonably and honestly held by the directors of each of the companies of the Luster Group;
- (b) that they will give to the Underwriters any or all information which the Underwriters may reasonably need or require affecting the Public Issue;
- (c) that they will forthwith notify the Managing Underwriter which shall thereupon inform the other Underwriters of any facts or information or situations or circumstances that may adversely affect the success of the Public Issue and in particular and without prejudice to the generality of the foregoing, of any material change affecting any of the aforesaid representations, warranties or agreements at any time prior to the Listing Date and take such steps as may be reasonably requested by the Underwriters or any of them to remedy and/or publicise the same; and
- (d) disclose to the Underwriters any matter occurring prior to the Listing Date which may constitute a breach of or is inconsistent with any of the representations, warranties and undertaking contained in this Agreement immediately after becoming aware of the same.

2.03 Representations And Warranties To Survive Agreement

- (a) The representations and warranties set out in this Agreement shall survive the execution of this Agreement and shall be deemed to be repeated on each day up to the Listing Date, as if made at each such day with reference to the facts and circumstances existing at each such day and shall survive the execution and completion of this Agreement.
- (b) The rights and remedies conferred upon the Underwriters by the aforesaid representations, warranties, agreements and indemnities shall continue to be in full force and effect notwithstanding completion of the issue and subscription of the Underwritten Shares and notwithstanding any investigations by or on behalf of the Underwriters.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.04 Underwriters' Rights and Remedies**

- (a) The agreement of the Underwriters to underwrite the Underwritten Shares is entered into on the basis of the representations, warranties, and agreements set out in the Agreement and with the intent that such representations, warranties and undertakings will remain complete, true and accurate in all respects up to and including the Listing Date. Without prejudice to the other rights and remedies of the Underwriters, the Company undertakes with the Underwriters and each of them that it will hold the Underwriters and each of them fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands which the Underwriters may incur or which may be made against them as a result of or arising out of or in relation to any misrepresentation or alleged misrepresentation by the Company or any breach of any of the aforesaid representations, warranties or agreements or undertakings and any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to issue and deliver to the Underwriters or the Malaysian Central Depository Sdn Bhd ("MCD") for the credit of the securities accounts of the Underwriters, the shares allotted to the Underwriters or its nominee(s) pursuant to provisions herein; and shall include but not limited to, situations where the Underwriters have been advised of a change or breach of any of such representations, warranties or undertakings prior to the Listing Date and the Underwriters have elected not to terminate this Agreement notwithstanding such advice. Such indemnity shall extend to include all costs, charges and expenses which the Underwriters or any of them may reasonably pay or incur in disputing or defending any such claim or action or other proceeding.
- (b) If this Agreement is terminated by the Underwriters in accordance with the provisions of Clause 3.02, the Company shall indemnify the Underwriters against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands which it may sustain or incur as a result of such termination.
- (c) At any time prior to the Listing Date, the Company shall become aware of any misrepresentation or of anything which has or may have rendered or will or may render incomplete, untrue or inaccurate in any material respect any of its representations, warranties or undertakings of the Company, the Company shall forthwith give notice to the Underwriters and the giving of such notice will not affect or prejudice any of the rights of the Underwriters.
- (d) The Company shall not publish any amendment or supplement to the Prospectus which will materially and adversely affect the Underwriters decision to underwrite, without advising the Underwriters or to which the Underwriters will reasonably object.
- (e) The rights and remedies conferred upon the Underwriters by the representations and warranties, agreements and indemnities set out in this Agreement shall continue in full force and effect notwithstanding any investigations made by or on behalf of the Underwriters and shall survive the subscription, delivery of and payment for the Underwritten Shares.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (f) If any action, proceeding, claim or demand will be brought or asserted against the Underwriters in respect of which an indemnity may be sought from the Company, the Underwriters will notify the Company in writing, and the Company will assume the defence, including the appointment of legal advisers by the Company and the payment by the Company of all fees and expenses of such employment.

2.05 Underwriters Entitled To Elect To Be Discharged In Case Of Breach

- (a) For the avoidance of doubt and notwithstanding any of the provisions herein, if prior to the Listing Date there is any breach of the warranties or representations or undertakings contained herein or failure on the part of the Company to perform any of the obligations herein contained or any change rendering any of the said representations, warranties or undertakings inaccurate in any respect coming to the notice of the Underwriters prior to the Listing Date, each of the Underwriters shall be entitled (but not bound) by notice to the Company to elect or treat such breach, failure or change as releasing or discharging it from its obligations hereunder PROVIDED THAT the Company shall remain liable for the payment of all costs and expenses referred to in clause 4.03 hereof which are incurred prior to or in connection with such release and discharge AND PROVIDED FURTHER THAT failure to make such election aforesaid shall be without prejudice to the right of the Underwriters to treat any further or other breach, failure or change as releasing and discharging the Underwriters from their obligations as aforesaid.
- (b) In the event of such election by the Underwriters or any of them as mentioned in Clause 2.05 (a) above, such Underwriter(s) shall be entitled to a refund of the remittance made pursuant to this Agreement, if any.

3. CONDITIONS PRECEDENT

3.01 Conditions Precedent

The obligations of the Underwriters under this Agreement shall further be conditional upon:-

- (a) the KLSE and the Securities Commission having approved the Prospectus and having agreed in principle on or prior to the Closing Date to the listing and quotation thereon of all the ordinary shares of the Company including the Underwritten Shares (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters) and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) clear Business Days after the Company shall have delivered to the Central Depository a record of the successful applicants of the ordinary shares of the Company together with such particulars as may be required by the Central Depository for the purpose of making appropriate entries in the CDS accounts of the respective applicants, together with the appropriate share scripts (in such denominations as may be specified by the Central Depository) registered in the name of the Central Depository;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (b) there not having been, on or prior to the Listing Date, in the opinion of the Underwriters any material adverse change or any development reasonably likely to involve a material adverse change in the condition (financial or otherwise) of the Company and its subsidiaries as defined by Section 5 of the Companies Act, 1965 from that set forth in the Prospectus including, in respect of earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries nor the Group taken as a whole which is material in the context of the Public Issue nor the occurrence of any event rendering untrue or inaccurate to an extent which is material as aforesaid any representations or warranties contained in this Agreement as though they had been given or made on such date;
- (c) the delivery to the Securities Commission and to the Companies Commission of Malaysia for lodgement of the Prospectus in accordance with the requirements of the Securities Commission Act, 1993 together with copies of all documents required by that Section and or the said Act;
- (d) the registration with the Securities Commission of the Prospectus and accompanying documents on or before their issue, circulation or distribution;
- (e) the listing and quotation of all the ordinary shares of the Company having been approved by members of the Company at its extraordinary general meeting and by all relevant regulatory authorities;
- (f) all necessary consents and approvals including the approval in principle of the KLSE required for the admission to the official list of the KLSE and dealing in and quotation of the shares to be issued having been obtained on terms which are, in the Underwriter's reasonable opinion, satisfactory and the same remaining valid and continuing to be in full force and effect on the Listing Date and that all conditions imposed by the KLSE have been fully complied with;
- (g) the delivery to the Managing Underwriter, on the Closing Date of a certificate by the directors of the Company in the form set out in THE SECOND SCHEDULE hereto stating that to the best of their knowledge and belief after having made all reasonable enquiries there has been no adverse change, development or event as referred to in paragraph (b) of this clause that as at such date the Company has not committed a breach of its covenants herein;
- (h) the issue of the Public Issue Shares having been approved by the Securities Commission, Malaysia, Foreign Investment Committee and the Ministry of International Trade and Industry Malaysia and/or any other relevant authority or authorities;
- (i) the Company undertaking the issuance of a bonus issue of 45,294,976 of new shares on the basis of approximately 9,466 new shares for every 1,000 existing shares in the Company.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

If any of the foregoing conditions are not satisfied by the Closing Date or any other applicable time frame prescribed by the Underwriters, any one of the Underwriters shall thereupon be entitled, subject as mentioned below, to terminate this Agreement by notice in writing to the Company and in that event (except for the liability of the Company for the payment of costs and expenses as provided in clause 4.03 hereof incurred prior to or in connection with such termination) the parties hereto shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriters may at their discretion jointly and unanimously waive compliance with any provisions of this clause.

3.02 Termination by the Underwriters

- (a) Notwithstanding anything herein contained, the Underwriters or any of them may at any time before the Listing Date by notice in writing to the Company terminate their respective obligations under this Agreement if in the reasonable opinion of the Underwriters:-
- (i) there is any material breach by the Company of any of the representations, warranties or undertakings contained herein which, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company;
 - (ii) the Company withholds any information of a material nature from the Underwriters, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Group taken as a whole, the success of the Public Issue; or
 - (iii) there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated in the notice requesting for such information from the Company, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Group taken as a whole, the success of the Public Issue; or
 - (iv) there shall have occurred, happened or come into effect any material and adverse change to the financial condition, earnings, affairs, business or prospects of the Company, any of its subsidiaries and the Group taken as a whole; or
 - (v) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect on the financial condition (including the earnings, affairs, business, operations or prospects) or otherwise of the Company, any of its subsidiaries or the Group taken as a whole or the success of the Public Issue, or its acceptance or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including:-

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (aa) war, acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy;
- (bb) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, civil war, industrial;
- (cc) flood, fire, storm, lightning tempest, accident or other Acts of God; or
- (dd) epidemic, explosion, disease, earthquake, hijacking, sabotage or crime;
- (vi) any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition, earnings, affairs, business or prospects of the Company, any of its subsidiaries or the Group taken as a whole;
- (vii) the composite index of the KLSE falls below 600 points;
- (viii) any adverse change in national, regional or international monetary, financial or economic conditions or exchange control or currency exchange rates; or
- (ix) the Closing Date does not occur on or before 30 September 2003.
- (b) Upon such notice(s) of termination being given pursuant to the provisions herein, the Underwriters will be released and discharged of their obligations without prejudice to their rights; and
- (c) This Agreement will thereafter be of no further force or effect and no party will be under any liability to any others in respect of this Agreement, except that the Company will remain liable in respect of any of its obligations and liabilities under these presents, for the payment of the costs and expenses already incurred up to the date on which such notice was given and for the payment of any taxes, duties or levies.

3.03 Consequences Of Termination

In the event of termination pursuant to Clause 3.02 hereof, the respective parties hereto shall be released and discharged from their obligations hereunder, save and except that the liability of the Company for the payment of costs and expenses as provided in clause 4.03 hereof incurred prior to or in connection with such termination shall remain and shall not be affected by such termination.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.9 Approvals from Authorities**

The Public Issue was approved by the following authorities as follows:-

Authorities	Date
FIC	27 December 2002
SC	28 January 2003
MITI	31 January 2003

On behalf of Luster, AmMerchant Bank had on 11 July 2003 applied to the SC for an extension of time to 27 September 2003 to implement the Listing. Approval from the SC on the extension of time has been obtained via SC's letter dated 4 August 2003. The details of the conditions of the authorities' approvals and status of compliance are set out below:-

Conditions Imposed By FIC	Status of Compliance
<i>FIC's letter dated 27 December 2002</i>	
No conditions imposed by FIC.	Not Applicable
Conditions Imposed By SC	Status of Compliance
<i>SC's letter dated 28 January 2003</i>	
1. Conditions to be complied for the utilisation of proceeds:-	
(i) SC's approval is to be obtained for any change in the original utilisation of proceeds if the said change involves utilisation other than for the core business of the Luster Group;	To be complied, if applicable
(ii) Approval from the shareholders of Luster is to be obtained for any change of 25% or more from the original utilisation of the said proceeds. If the change is less than 25%, proper disclosure should be made to all the shareholders of Luster;	To be complied, if applicable
(iii) The purpose and time frame for the utilisation of proceeds are to be disclosed in details in the Prospectus.	Complied
Any extension of time from the time frame fixed by Luster for the utilisation of said proceeds is to be approved via an absolute resolution by the Board of Directors of Luster and is required to be disclosed fully to the KLSE; and	To be complied
(iv) Appropriate disclosure on the status of the utilisation of the proceeds is to be made in the Quarterly Report and Annual Report of Luster until the said proceeds are fully utilised.	To be complied
2. Luster is required to include a new clause in its ESOS by-laws stating that no options will be granted in the event the total options granted exceed 10% of the issued and paid-up share capital of Luster after share buy-back.	Complied, as detailed in Section 11 paragraph 4.2, of this Prospectus

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
3. Luster is required to disclose in its Prospectus in relation to its dependence on 3 major customers, namely Sony Electronics (M) Sdn Bhd, Sharp-Roxy Corporation (M) Sdn Bhd and Yakushin (M) Sdn Bhd.	Complied, as detailed in Section 3 paragraph 1, of this Prospectus
4. Luster Group is required to take proactive steps to recover its trade debts, which exceed credit period or make necessary provisions in the accounts prior to the issuance of the Company Prospectus.	Complied
5. The Promoters and Directors of Luster are not allowed to be involved in any new business, which will result in competition/conflict of interest with the existing business of Luster Group.	To be complied
In this respect, any interest or involvement of the Promoters and Directors of Luster in such business and measures to be taken to mitigate the conflict, if any, are to be disclosed in the Prospectus of Luster.	Complied
6. Any future business dealing between Luster Group and the companies related to the Promoters, Directors and substantial shareholders of Luster are to be at arm's length basis. In relation to this, the Audit Committee of Luster is required to scrutinise and the Board of Directors is required to report all such business dealings, if any, in the Annual Report of Luster Group every year.	To be complied
7. Full compliance with the requirements in relation to the listing by Luster as provided under SC Guidelines, in particular the requirement in paragraph 10.17 of the SC Guidelines whereby Luster is not allowed to venture into business unrelated to the core business of Luster Group for 3 years from the date of listing of Luster on the Main Board of KLSE.	To be complied
8. Luster is advised to ensure that the total Bumiputera Directors in the composition of the Board of Directors of the Company always mirrors the existing percentage of Bumiputera equity interest.	To be complied
9. Luster and all parties involved are required to provide written confirmation on the compliance with all the terms and conditions imposed on the approval of the Listing after the proposal has been completed.	To be complied

Conditions Imposed By MITI	Status of Compliance
<i>MITI's letter dated 31 January 2003</i>	
1. The approval for the allocation of the entire special shares of 1,640,000 units representing 2.73% of the enlarged share capital of the Company will be decided separately upon approval from SC.	To be complied
2. The Bumiputera shareholdings are subject to the condition that 30% are allowed to be disposed within 12 months after the listing of the Company and the balance of 70% in stages subject to MITI's prior approval.	To be complied

3. THE RISK FACTORS

In evaluating an investment in the Public Issue Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:-

1) Dependency on Major Customers

For the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, the top 20 customers of Luster Group accounted for approximately RM125.74 million and RM21.39 million representing approximately 96% and 93% of the total Group revenue. The remaining 4% and 7% of the revenue is spread across approximately 90 and 76 customers. Of the top 20 customers for the financial year ended 31 December 2002, it should be noted that the top 3 customers of the Group accounted for approximately 71% of the total revenue of the Group. However, for the three(3) months period ended 31 March 2003, the top 3 customers of the Group accounted for approximately 67.5% of the total revenue of the Group.

Although the Group's business is dependent on the top 3 customers namely Sony Electronics (M) Sdn Bhd, Sharp-Roxy Corporation (M) Sdn Bhd and Yakushin (M) Sdn Bhd, for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, by virtue of their substantial contribution to the total revenue of the Group, the following factors help to mitigate the dependency: -

- i) The Group has enjoyed a close and long standing business relationship with its top three(3) customers, Sony Electronics (M) Sdn Bhd, Sharp-Roxy Corporation (M) Sdn Bhd and Yakushin (M) Sdn Bhd for 13 years, 15 years and 4 years respectively; and
- ii) Part of the Luster Group's basis of operation has always been focused on nurturing and building strong and long-term business relationships with globally reputable customers. This involves growing together with these customers and ensuring that Luster Group provides continuous support. Thus, the substantial revenue contribution in tandem with the long standing business relationship from these customers indicates a mutually beneficial partnership.

Notwithstanding this, there is no assurance that the loss of any one or more of these customers resulting from relocation of the customer's business operation geographically or cessation of business relations, would not adversely impact on the Group's operating results.

2) No Prior Market for Luster Shares

Prior to this Public Issue, there has been no public market for Luster's Shares. There can be no assurance that an active market for Luster's Shares will develop upon its listing on the Main Board of the KLSE or, if developed, that such a market will be sustained. The Public Issue price of RM1.40 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in business similar to that of the Group and the prevailing market conditions. There can be no assurance that the Public Issue price will correspond with the price at which Luster's Shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for Luster's Shares will develop and continue to develop upon or subsequent to its listing.

3. THE RISK FACTORS (Cont'd)

3) Foreign Currency Risk

As Luster Group is in the manufacturing of high precision and precision plastic parts and components, the usage of resin constitutes the largest form of raw materials used in its manufacturing operations. Apart from resin, Luster Group also purchases peripheral parts and components, metal as well as parts and components for PCBA. For the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, imports of raw materials accounted for only approximately 9.3% and 7.3% or approximately RM4.94 million and RM1.09 million respectively of the total raw material purchases of Luster Group. As such, the Group is not significantly affected by fluctuations in foreign exchange through the import of its raw materials, which are transacted in USD.

However, the fixed pegging of the Ringgit to the USD has enabled the Group to plan with a higher degree of certainty and be less vulnerable to fluctuations in foreign exchange. Nevertheless, there is no certainty that the currency peg will remain and no assurance that any future foreign exchange fluctuation arising from the lifting of the currency controls or the adjustment of the Ringgit to USD peg will not adversely affect the financial results of the Luster Group.

4) Political and Economic Factors

Adverse development in political, economic and regulatory conditions in Malaysia as well as other countries where the Group operates or may operate, source its supplies or market its products could materially and adversely affect the financial and operational condition as well as the overall profitability of the Group. For the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, Luster Group sourced approximately 9.3% and 7.3% of its raw materials from overseas while approximately 72.9% and 77.8% of its products are sold to MNC customers based in Malaysia. Ultimately, Luster Group's MNC customers would export the end-product to the global market. Direct export accounted for approximately 1.2% and 0.3% of total revenue for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 respectively. Political and economic uncertainties include (but not limited to) changes in general economic, business and credit conditions, government legislations and policies affecting manufacturers, inflation, interest rates, fluctuations in foreign exchange rates, political or social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls.

5) Control by Substantial Shareholders

Following the Public Issue, the substantial shareholders of Luster, namely LHSB and Muthanna Bin Abdullah, collectively hold approximately 68.08% of Luster's enlarged issued and paid-up share capital. The aforesaid substantial shareholders, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders, such as the direction and future operation of the Group which include, but not limited to, decisions on acquisitions or disposals, business opportunities, declaration of dividends and issuance of additional or other securities, unless they are required to abstain from voting by law and/or by the relevant authorities.

3. THE RISK FACTORS (Cont'd)

6) Dependence on Directors/Key Management

The success of Luster Group could be attributed to the leadership and stewardship of its experienced Directors and the key management. However, the Group's continued success will depend substantially upon the vision and continued efforts of the Directors and key management and the availability of skilled workers.

The loss of any Director or key management could adversely affect the Group's ability to compete in the industry. However, the Group's key management has expanded and strengthened over the years as a result of the Group's continuous effort to attract and retain skilled personnel to support its business by providing attractive remuneration package and conducive working environment.

However, there can be no assurance that the Group will always be successful in retaining key management.

7) Competitive Conditions

Generally, operators in the Manufacture of Plastic Injection Moulded Parts and Components Industry face normal competitive condition. Competition is based on a number of factors which includes quality of products and services, cost competitiveness, prompt delivery schedules, manufacturing capabilities and capacities as well as customer convenience.

However, the competition among the operators in the industry in Malaysia is intense. The intensity of the competition in this industry will depend on the sectors of the market served, product categories, complexity of the end products and the capability of these companies that are able to focus on value added or high precision plastic injection moulded parts and components that require strict adherence to quality and specifications.

Operators that are able to provide total solution like Luster Group, by having integrated manufacturing capabilities such as mould design and fabrication, manufacturing, PCBA and assembly will differentiate significantly from other operators in the industry that focuses mainly on manufacturing of plastic injection moulded parts and components.

Nonetheless, no assurance could be given that any change to these factors would not have any material adverse impact on the Group's business.

(Source: Vital Factor Consulting Report on Business Overview of Luster dated on 31 March 2003)

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3. THE RISK FACTORS (Cont'd)

8) Threat of Substitute

There are substitute products to plastic injection moulded products, for example steel, reinforced fibreglass and other composite materials. The current world's excess capacity for steel production could push the price of steel to the point where it would increase the appeal to replace plastic parts, components and products with steel parts. Steel parts, components and products, through metal stamping, could be mass produced to make it a viable alternative to plastic injection moulded components and products.

However, it should be noted that the probability of other materials replacing plastic is low because of the low cost of plastic raw materials as well as low cost of plastic mass production. In reality, plastic injection moulded products have replaced many other types of materials, especially steel based products.

Some examples where plastic injection moulded products have replaced steel-based products include automotive bumper bars and casing for many consumer electrical and electronic appliances. The benefits of plastic parts and components include cost advantage compared to metal, durability, flexibility and versatility, appearance as well as shorter processing time.

(Source : Vital Factor Consulting Report on Assessment of the Plastic Injection Moulding Industry dated on 31 March 2003)

9) Business Risks

Luster Group, like other businesses operating in a competitive economy, is subject to the market forces. There would be potential for products being obsolete, process technologies being cost ineffective, its market share being eroded or the industry experiencing downturn.

In order to mitigate such risks, the Group had implemented various strategies such as increasing its product range and value added service to its customers such as providing integrated manufacturing capabilities to meet total requirements of customers. Efforts have been made to expand its market base and R&D to strengthen and enlarged its business activities. However, no assurance can be given that any change in the market forces will not have a material adverse effect on the Group.

10) Ease of Entry

Apart from the normal manufacturing licence, there are no other Government regulations prohibiting the entry of operators into the Plastic Injection Moulding Industry.

The barriers to entry based on capital requirements excluding land and building are low. This is predicated by the fact that in year 2002 there were approximately 500 operators in the Plastic Injection Moulding Industry and these are predominantly smaller players. However, there is a need to reach a certain size in order for the operator to benefit from economies of scale. As an integrated manufacturer, it would require approximately RM75 million to set-up a highly automated plant with facilities similar to Luster Group.

Track record is one of the critical success factors for operators in this industry as a new entrant without any track record is unlikely to be competitive in this market particularly with MNC customers. As plastic injection moulding is regarded as critical part of the total manufacturing process, track record, quality and service are critical factors in securing a manufacturing contract with MNC.

(Source : Vital Factor Consulting Report on Assessment of the Plastic Injection Moulding Industry dated on 31 March 2003)

3. THE RISK FACTORS (Cont'd)

11) Implementation of AFTA

The reduction of import duties to 0% or 5% with the implementation of AFTA would make imports very competitive against locally manufactured products.

However, new players resulting from the implementation of AFTA would need to invest significant effort and time to develop and market their products to gain acceptance from local consumers. This would provide some advantages to existing local players at least in the short to medium term. During this period, local players can learn to adapt to the new competitive environment to sustain business growth and success.

Local players with good track record, established integrated distribution, logistics network and wide range of products would be in a better position to face the increased competitive pressure from the potential new players in the market.

In addition, AFTA also provides opportunities for local manufacturers to address new export markets within AFTA.

(Source : Vital Factor Consulting Report on Assessment of the Plastic Injection Moulding Industry dated on 31 March 2003)

To the best knowledge and belief of the Directors, Luster Group being the existing player in the industry with good track record, network and a one-stop centre for its customers, would be able to provide opportunities for the Group to address wider markets and thereby benefit from the implementation of AFTA.

12) Increased Competition from Lower-Cost Producing Countries

Lower-cost producing countries such as China present intense competition, domestically and internationally for manufacturers within the Plastic Injection Moulding Industry. These lower-cost producing countries, operating on abundant and cheaper labour, are able to manufacture and export their products at relatively lower prices at comparable quality.

As a result, Malaysia may lose its competitive advantage to the lower-cost producing countries. There is a possibility that Luster Group's MNC customers may relocate to the lower-cost producing countries in view of the cost effectiveness.

To mitigate the above factor, Luster Group will be moving up the value-chain and to deliver innovative products. The Group has been focusing on R&D to develop new products or use new materials. With the integrated manufacturing facilities, engineering, R&D capabilities and being a one-stop manufacturing solution, Luster Group will be able to provide cost competitiveness to its customers in terms of the following:-

- cost synergy;
- providing value added services and technical advice;
- logistic and transportation network; and
- competitive price.

3. THE RISK FACTORS (Cont'd)

The Group is able to supply a variety of products and services to its customers and thus reducing its customers' indirect and incidental cost of sourcing raw materials from other suppliers. Luster Group is equipped with trained and experienced manpower to provide quality products, value added services and technical advice to its customers. Apart from this, the Group has established a reliable logistic and transportation network to ensure on-time delivery to its customers to avoid disruption in its customers' operation. As most of the Group's machineries and equipment have been fully recovered or to be recovered in a year or two, the Group to a certain extent has been able to reduce its cost of production and hence, able to provide its customers with competitive pricing. In addition to this, Luster Group has been focused on nurturing and building strong and long-term business relationships with its globally reputable customers.

However, there is no assurance that the relocation of Luster Group's MNC customers to the lower-cost producing countries will not materially affect the Group's revenue.

13) Absence of Long Term Contractual Agreement with Customers and/or Suppliers

Luster Group does not have any formal long term contract with its customers. It is common in the manufacturing industry to work from a six to twelve month's production forecast with weekly production schedule. On average, firm orders are usually placed on a ten-day basis.

(Source : Vital Factor Consulting Report on Prospect and Future Plans of Luster dated on 31 March 2003)

Although there are no formal contractual arrangements with other customers, Luster Group has established a close working relationship with all its customers. For the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, approximately 60% of its top 20 customers have been dealing with the Group for at least 4 years. For the same mentioned year/period, 3 of its top 20 customers have been dealing with Luster Group for more than 10 years. As at 30 June 2003, there is no legal redress taken by Luster Group against its customers for termination of orders.

It is also a normal industry practice that once a supplier has been selected, in most cases the customers would be hesitant to terminate the services of the suppliers unless there is continuous poor performance in product quality and services. The Group believes that by providing quality products, on-time delivery, competitive pricing and value added services, it will be able to maintain a firm relationship with its customers.

14) Achievability of Profit Forecast

This Prospectus contains the profit forecast of Luster Group that is based on certain assumptions made by the Directors of Luster, but which nevertheless is subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of the profit forecast, and due to events and circumstances which may not occur as expected, there can be no assurance that the profit forecast contained herein will be achieved and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit forecast that is contained herein.

3. THE RISK FACTORS (Cont'd)

15) Adequacy of Insurance Coverage of the Group's Assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets on a continuous basis.

Although the Group has taken necessary measures to ensure that its building, plant and machinery, raw materials, finished products and all its other assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the other assets of Luster Group, including but not limited to, the building, plant and machinery, raw materials, finished products or any consequential costs arising therefrom.

16) Dependency on Foreign Labour

In Malaysia, employment of foreign workers is allowed in the construction, plantation, service and manufacturing sectors.

According to the Malaysian International Trade and Industry, the approved countries for the sourcing of foreign workers for the manufacturing industry includes Philippines, Nepal, Kazakhstan, Cambodia, Vietnam, Laos, Myanmar, Indonesia, Thailand, Turkmenistan and Uzbekistan.

As at 30 June 2003 (being the latest practicable date prior to the printing of this Prospectus), the Group has a total of 2,448 employees for its operations in Malaysia and Indonesia. The Group has 2,259 employees in Malaysia and 189 employees in Indonesia. To-date, shortage of foreign labour has never been a major issue, neither has it impeded the Group's business growth or caused interruptions in its operations.

17) High Elasticity of Demand

Elasticity of demand for precision plastic parts and components for electronic or electrical products is high. However, these products are relatively more complex with a stronger emphasis on quality. Although this category of the market produces higher value products, the sheer number of operators focusing in this market does little to reduce the elasticity of demand. According to the Malaysian Plastics Manufacturers Association, 60% of operators in the plastic injection moulding industry in Malaysia supply parts and components to the electrical and electronics industry.

Elasticity of demand for high precision plastic parts and components is moderate as these are regarded as higher value products and competition is less intense. However, in certain sectors of the market whereby operators that can provide added value through integration of other supporting activities including in-house mould design and production, research and development, PCBA and assembly will be able to justify a higher pricing compared to operators that focuses primarily on manufacturing of plastic parts and components.

(Source: Vital Factor Consulting Report on Prospect and Future Plans of Luster dated on 31 March 2003)

3. THE RISK FACTORS (Cont'd)

18) Capital Market Risk

As an investor of Luster, it is to be noted that Luster will be listed on the Main Board of the KLSE. The performance of our local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes witnessed on KLSE, thus adding risk to the market price of the Shares of Luster to be listed on the KLSE. Nevertheless, it shall be noted the profitability of Luster Group is not dependent on the performance of the KLSE.

19) Failure in the Listing Exercise

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur:-

- (a) The Bumiputera investors and institutions approved by MITI fail to subscribe to the portion of Public Issue Shares allocated to them;
- (b) The eligible Directors and employees of Luster Group fail to subscribe to the portion of Public Issue Shares allocated to them;
- (c) The Company or the Underwriters fail to honour their obligations under the Underwriting Agreement;
- (d) The Underwriters, in honouring their obligations become a shareholder holding 5% or more of the Shares in the Company; and
- (e) The Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each, upon completion of the Public Issue at the point of listing.

20) Forward Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and others are forward looking in nature, which are subject to uncertainties and contingencies.

All forward looking statements are based on forecast and assumptions made by the Board of Directors of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the Luster Group and the industry and changes in interest rates. In the light of these uncertainties, the inclusion of forward looking statements in this Prospectus should not be regarded as a representation or warranty by the Luster Group or its advisers that the plans and objectives of the Group will be achieved.

3. THE RISK FACTORS (Cont'd)

21) Financial Risk

As at 30 June 2003 (being the latest practicable date prior to the printing of this Prospectus), Luster Group's total short-term and long-term bank borrowings amounted to RM32.4 million. All the bank borrowings of Luster Group are interest bearing. Given that the interest charged on bank borrowings is dependent on interest rates and the total outstanding loans, future fluctuations of the interest rates could have material effects on Luster Group's profitability.

There can be no assurance that the performance of Luster Group would remain favourable in the event of adverse changes in the interest rates. However, based on its prudence cash management, Luster Group is expected to be able to generate sufficient fund in the future to meet the repayment of the bank borrowings.

22) Technological Change

Most of the end products of the Luster Group are dependent upon the growth of electrical, electronics and plastic industries. These industries are some of the most dynamic industries today but there can be no certainty in respect of the direction and life span of technology. The success of the Group is dependent on its ability to maintain and enhance its technological capabilities and successfully anticipates or respond to technological changes in manufacturing process to meet the latest design and requirements of their customers on a timely basis. The volatile in the electronics industries stems from the fact that improved, innovative and technologically advanced products are consistently being produced and brought to market at shorter intervals and at reduced market prices.

The Luster Group is confident that with the on-going training and development programmes conducted by the Group for its employees, which cover the technological and functional courses, coupled with its experienced management team, it will be able to keep abreast with the changing market demand for the wide range of products and services it provides. However, there can be no assurance that the Group's development policy will be successful to procure the latest technologies and technical know-how.

23) Security and System Disruption

The Luster Group did not experience any disruption in business arising from security and system disruption on its plant, which have significant effect on its operation for the past twelve(12) months prior to the date of this Prospectus. The Directors do not foresee that there shall be any disruption to the security and system of Luster Group's operation which shall materially affect the Group's output. In addition, Luster Group has a regular maintenance schedule for its machineries and equipment. Notwithstanding this, there is no assurance that security and system disruption will not materially affect Luster Group's business.

3. THE RISK FACTORS (Cont'd)

24) Rapid and Over-Expansion of Business

Luster Group's potential expansion may strain the Group's financial and operational resources. In the past few years, the Group has achieved growth in sales and business development with the development of new products and customers base. The management of the Luster Group will continue to adopt aggressive perspective to achieve the Group's growth for the coming years. However, there can be no assurance that Luster Group will be successful in managing any of its anticipated growth of which the Group has achieved in the past few years or whether the growth will be sustained.

To mitigate the above factor, the Group has an experienced management and plans to upgrade its existing operations, diversify into other market segment, and expand into OEM capability and workforce to meet its targeted growth.

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