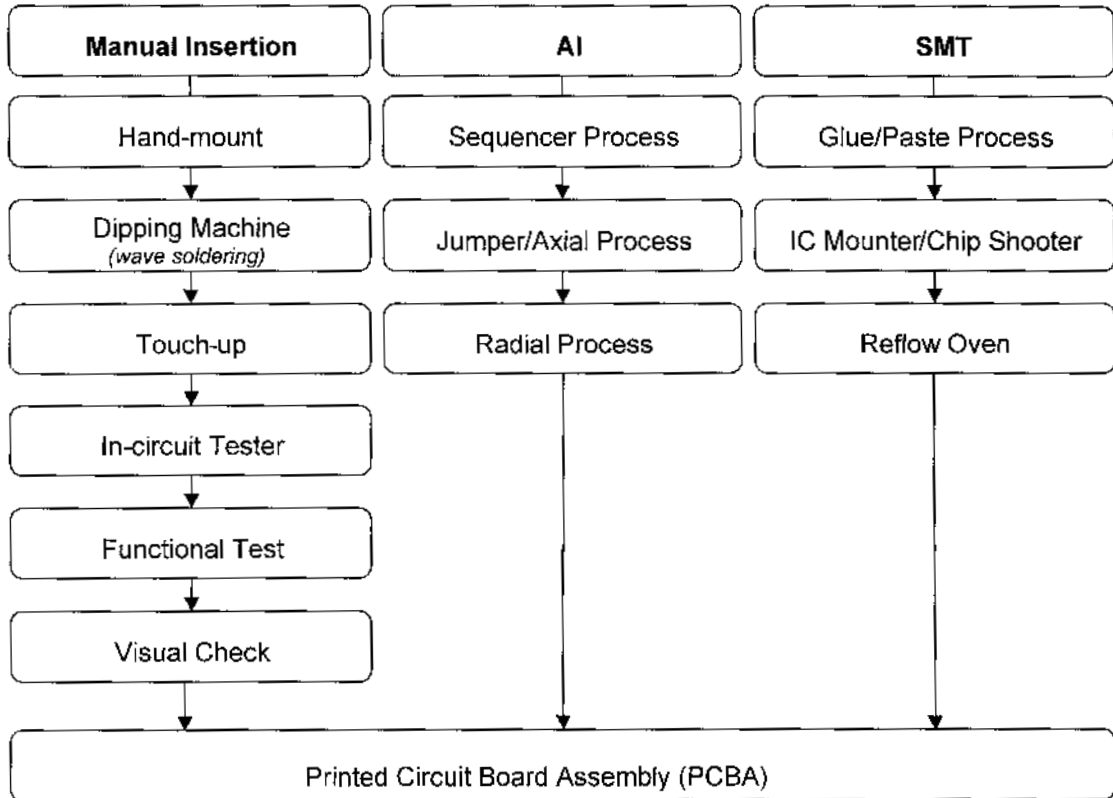


4. INFORMATION ON THE LUSTER GROUP (Cont'd)

- The parts or components that are produced at a very short manufacturing cycle and are then removed from the mould by a high speed robotic arm.
- The quality control division then checks the parts and components before it being delivered to the customer.

PCBA



The PCBA can be segmented into 3 main processes, namely manual insertion, AI and SMT.

Manual Insertion

In the manual insertion process, the input of electronic components requires manual labour to physically insert the components onto the PCBs. The electronic components that are used in this process are usually of the shapes and types that are difficult for machines to insert. Examples of these components are connectors, heat sinks and large jumper wires.

After manual insertion, the PCBs will be sent on a conveyor belt into dipping machines for wave soldering. The Wave Soldering Machine consists of a pre-flux process whereby the flux is applied on the PCBs. Subsequently, the PCBs will flow through a solder dipping zone where a coating of solder are applied to the exposed leads. This process is to connect the leads to the PCBs to form an inter-metallic connection between all the components.

After the wave soldering process, the PCBs will then be sent for inspection. The operators will send rejected PCBs to the Touch-up Process. This process is to re-apply solder on the unsoldered joints and leads as well as to remove solder shorts and cover pinholes.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

After the Touch-up Process and further inspection, the PCBs are tested by In-Circuit Testers for its electrical functionality.

All soldered PCBs are then sent for the further testing by the Functional Testers. This is to test for the possibility of problems in the PCBs such as noise distortion, traverse, no output and other related problems.

Visual checks are the final stage of inspections for visual defects before final approval from the quality control division.

AI

The AI process begins with the assembly of the electronic components that are preset into a form of a reel in a preset sequence. This is to load the components into the jumper wires and axial machines for AI. This process is called the Sequencer Process.

The Jumper or Axial Process utilises the insertion machine to punch the jumper wires and axial components, such as resistors, capacitors, diodes and jumpers onto the PCBs. These components are inserted to lie flat on the PCB.

Following the Jumper or Axial Process, the Radial Process punches radial components such as electrolytic capacitors, transistors and variable resistors onto the PCBs. These components are larger and are the standing components on a PCB.

SMT

The initial process of the SMT is where solder or glue is applied onto the PCBs. This allows the electronic components to eventually be placed on top of the PCBs.

The secondary process of chip mounting uses IC Mounter/Chip Shooter machine to pick up and place the electronic components onto the PCBs.

This process also allows the IC placer to pick and place the IC components onto the PCBs before the oven reflow process.

The oven reflow process uses infrared technology to allow the components on top of the solder paste or glue to pass through a high temperature environment. This solder or glue reflow process ensures that the solder paste or glue will melt and attach onto the components on the PCBs.

The PCBs are then passed into a cooling zone to allow the solidification of the molten paste or glue. This will hold the components onto the PCBs.

The PCBs are then sent for inspection to the quality control division and are loaded onto magazines.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

vi) Quality of Products

As part of the Group's emphasis on product quality and adherence to stringent quality standards, Luster Group has obtained the following quality accreditations from SIRIM. This provides customers with the assurance of quality of its products.

	ISO 9002	ISO 9001: 2000
LM	Since December 1999	Since November 2001
LPE	Since May 1999	Since May 2002
LPI	-	Since September 2002
Luster	-	Since December 2002
LCW	-	Since February 2003

In addition, the Group has stringent quality assurance programmes through the following processes and procedures:-

- raw materials have to undergo inspection for colour and consistency in dimensions before being used;
- each step of the production process from manufacturing, spray painting, printing, hot stamping or rolling and assembly have to undergo an additional process of quality checks before proceeding onto the next step; and
- each batch of final products have to be thoroughly inspected and tested randomly by the Quality Assurance Department before delivery to customer.

Some of the reliability testing equipment used as part of quality management includes:-

- push pull gauge to check on the strength of the part or component;
- environmental testing chamber to check on the durability of the products under different conditions;
- spectrophotometer to check on colour consistency;
- gear checker to check on the width and pitch of plastic gear;
- abrasion machine to check the resistance of wear and tear of decorative or printed ink on products;
- Computer Numerical Control ("CNC") Coordinate Measuring Machine ("CMM") is designed for 3-dimensional ("3D") checking on the surface, height and depth of the plastic parts;
- profile projector is designed for 2-dimensional checking to ensure consistency in surface of the plastic parts;
- in-circuit tester to make sure that correct electronic components are mounted and soldered onto the PCB;
- solder paste checker to check the tightness of the solder paste printed on the PCB;
- temperature profiler to read the actual temperature in the oven;
- ultrasonic stencil cleaner to clean stencil;
- antenna loop to test amplitude modulation ("AM") signal transmitting;
- audio analyser to analyse audio signal;
- RDS modulator to test frequency modulation ("FM") radio data system ("RDS") signal;
- channel separator to test and separate AM/FM signal;
- multiplex modulator to test FM stereo; and
- digital power hi-tester to test the current and to measure alternating current ("AC") high voltage.

As at 30 June 2003 (being the latest practicable date prior to printing of this Prospectus), there are 37 people in the Quality Assurance team within Luster Group focusing on ensuring the standard of product quality meets the expectations of customers.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

vii) **Licences, Patent and Trademarks**

Material licences held by Luster Group for its operations include Manufacturing Licences, Warehouse Licences and Licensed Manufacturer Warehouse.

PTLI's EPTE licence in Indonesia is equivalent to LMW of which, it is referred to in Indonesia as 'Kawasan Berikat dan Pemberian Persetujuan Penyelenggara Kawasan Berikat (PKB) Merangkap Pengusaha di Kawasan Berikat (PDKB)'.

Luster Group does not have any patent or trademark on its products.

viii) **Competitive Advantages**

Luster Group has distinct advantages over its competitors in terms of the following:-

- integrated manufacturer of plastic parts and components;
- high quality products;
- extensive production facilities;
- R&D capabilities; and
- market reputation and established track record.

Integrated Manufacturer of Plastic Parts and Components

Luster Group has the in-house capabilities to meet the total requirements of customers in precision plastic parts and components. This includes the capabilities to manufacture high precision mechanisms, precision plastics parts and components supported by in-house mould and die design, PCBA facilities and assembly of semi-finished products.

This complete integration of products and services provides Luster Group with a competitive advantage over other operators that only focuses on one or a few activities.

High Quality Product

The ISO 9001:2000 certifications of Luster and its subsidiary companies, LM, LPE, LPI and LCW are an endorsement of the quality assurance system that are in place. In addition, PTLI is in the process of obtaining ISO 9001:2000. This applies to the manufacturing of high precision and precision plastic parts and components. These certifications provide customers with the assurance of confidence in Luster Group's quality of products.

Furthermore, the rigorous process of quality checks and tests on the raw materials through to each of the manufacturing processes including the finished product is a further demonstration of Group's emphasis on product quality.

Luster Group has also adopted a 6-Sigma program to improve the production process by using analytical tools, such as statistical process control ("**SPC**") and design experiment ("**DOE**").

6-Sigma program is a program which indicates the performance of a business or manufacturing process. The sigma value is measured by metric. It indicates the frequency of defects in a manufacturing process. The higher the sigma value, the less likely the defects will occur in a manufacturing process.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

Extensive Production Facilities

Luster Group has invested approximately RM83 million up to 31 March 2003 in machinery and equipment for its operations. These extensive production facilities and use of advanced equipment and machinery have contributed to consistency in product quality, high production efficiency and high volume of output. This provides the Group with a competitive edge over other operators.

Some of the Group's production facilities include:-

Mould Design and Fabrication Facilities

- CNC milling machine
- Wire-cut machine
- Auto Cad for Mould Design
- Pro-Eng Stations for the 3-D image of mould

Manufacturing of High Precision/Precision Plastic Parts and Components

- 25 tonne to 650 tonne clamping force of plastic injection moulding equipment
- automated robotic technology
- automated material handling system

Secondary Finishing Processes

- Silk screening
- Tempo Printing
- Hot-Stamping
- Ultra sonic and high frequency induction welding
- Manual and Automated Spray Painting System

PCBA

- SMT
- Auto Insert Equipment
- Manual Insertion

R&D Capabilities

Luster Group is able to continually keep abreast of technological improvements, usage of new polymer based materials and changing consumer preferences through its subsidiary company, LN.

By working closely with MNC customers based in Japan, Luster Group is able to have an insight into the latest product developments which it can then quickly modify its manufacturing operations to accommodate the latest models and this includes procurement of new materials and mould designs.

This provides the Group with a significant competitive edge over its competitors.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)**Market Reputation and Established Track Record**

Over the last 16 years, Luster Group has developed a market reputation as an established manufacturer of precision plastic parts and components. This is reflected by the fact 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 with the Group for 4 years or more. In addition, 3 of its top 20 customers have been dealing with the Group for 10 or more years.

The long standing customer relationship serves not only as an endorsement of the quality of its products and services but also the stability of Luster Group's customer base.

As at 31 March 2003, the Group has successfully cultivated approximately 96 customers in total.

ix) Capacity

The current capacity of Luster Group is as follows:

BUSINESS ACTIVITIES	Current Capacity
Fabrication of mould and die	20 moulds per month
Plastic injection moulding*	5.9 million pieces per month
PCBA	
- SMT	58.4 million points per month
- Axial	55.3 million points per month
- Radial	18.8 million points per month
Sub-assembly of plastic parts#	4.1 million sets per month

* Based on equivalent unit of front panel at 42 seconds per unit.

Based on equivalent unit of front panel at 420.825 hours per 101,286 sets.

The number of production shifts per day ranges between two to three shifts, depending on the business activities.

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)

x) Sources and Availability of Raw Materials

The following are the major types of raw materials and sources of supply utilised by Luster Group in its manufacturing process:-

Raw Materials by Type	Percentage of Total Group Purchases		Sources of Supply			
	Financial Year Ended 31.12.2003	3 Months Period Ended 31.03.2003	Financial Year Ended 31.12.2003		3 Months Period Ended 31.03.2003	
	(%)	(%)	Local	Import	Local	Import
Plastic Resin	55.2	59.8	91.7%	8.3%	92.3%	7.7%
Peripheral Parts and Components	14.8	12.7	89.6%	10.4%	87.2%	12.8%
Parts and Components for PCBA	8.7	9.1	68.4%	31.6%	80.1%	19.9%
Metals	1.3	1.6	100.0%	-	100%	-
Others *	20.0	16.8	92.8%	7.2%	98.7%	1.3%
Total	100.0	100.0				

* Others include ejector pins, paint, thinners, metal grilles, punching sheets, solder bars, solder wires, stearic acid, PVC tape, chip bonders, white cotton and white oil.

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.

For the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, plastic resin accounted for approximately 55.2% and 59.8% of total purchases of Luster Group.

Other raw materials used by Luster Group include:-

- peripheral parts and components;
- parts and components for PCBA; and
- metals.

Apart from plastic resin, the next largest raw materials purchased are peripheral parts and components. These peripheral parts and components are sourced and supplied by the customers on consignment basis.

Plastic Resin

Luster Group primarily uses the following major types of plastic resins including:-

- Polystyrene ("PS")
- Acrylonitrile Butadiene Styrene ("ABS")
- Polycarbonate Acrylonitrile Butadiene Styrene ("PC-ABS")

Of these, PS represented the most significant raw material, accounting for approximately 12.0% and 24.4% of total purchases of Luster Group for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 respectively.

Generally, for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, the Group purchases approximately 91.7% and 92.3% of its plastic resins from local sources whilst the remaining of approximately 8.3% and 7.7% were imported. Imported resin constituted primarily engineered resin.

Thus far, management has not experienced any shortages in the supply of plastic resins, as this type of material is easily available from a number of countries overseas as well as local production.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

Peripheral Parts and Components

Peripheral parts and components mainly comprised of smaller supporting parts that are used in the assembly of the semi-finished product. These include knob covers, grill, volume knob ring and many others. These are mainly sourced locally from various other manufacturers that are specified by the MNC customer. These are usually sourced from approved suppliers of customers and the cost charged back to the customers.

For the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, peripheral parts and components accounted for approximately 14.8% and 12.7% of the Group's total purchases of raw materials of which approximately 89.6% and 87.2% were sourced locally.

Of these peripheral parts and components, the ring volume forms the largest of these parts used, representing 1.5% of Luster Group's total raw materials purchases for the financial year ended 31 December 2002. The cover forms the largest of these parts used for the three(3) months period ended 31 March 2003, representing approximately 4.6% of the Group's total raw materials purchases.

Thus far, management has not experienced any shortages in supply of these parts as they are usually supplied by the MNC's approved suppliers.

Parts and Components for PCBA

As for PCBA, most of the ICs, transistors, capacitors and PCB are consigned by the customers.

For the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, ICs, semi-conductors, PCB and other components accounted for approximately 8.7% and 9.1% of the Group's total purchases of raw materials. Luster Group is only involved in sourcing some consumables such as solder, glue, screws and other small parts.

It is an industry norm for customers to provide the ICs, PCB and other components as most local MNC have a centralised procurement centre to ensure consistency in quality of the materials.

Luster Group sourced approximately 68.4% and 80.1% these PCBA parts and components directly from local producers whilst the remaining of approximately 31.6% and 19.9% were sourced from the overseas suppliers for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 respectively. All suppliers of these types of parts and components are specified by the customer.

The Directors of Luster is of the opinion that they will not face any difficulties in obtaining the major raw materials and components.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

xi) Modes of Marketing / Distribution / Sales

Marketing Strategies

The major thrust of Luster Group's marketing strategy is to position itself as an integrated manufacturer with capabilities to produce high precision and precision plastic parts and components supported by mould design, PCBA and sub-assembly and full assembly of products.

To implement the strategy, Luster Group has its own sales and marketing team to focus on business development with existing and potential customers. As at 30 June 2003 (being the latest practicable date prior to printing of this Prospectus), Luster Group has 20 personnel under the sales and marketing division responsible for new business development.

As part of its strategy to promote its products and services to potential customers overseas, Luster Group also actively exhibit or attend the following exhibitions:-

Local

- Globalising SMEs Opportunity for EU Asia Partnership, Penang in April 1999
- SMIDEC Annual SMI Showcase 1999, Selangor in October 1999
- Talk on Photonics – The Next Wave Forward ~ Opportunities in Manufacturing, Penang in August 2001
- AFTA Seminar, Penang in August 2001
- EU Partenariat Malaysia 2001, Kuala Lumpur in Nov 2001
- Malaysia-German Chamber of Commerce & Industry, Kuala Lumpur in November 2001
- Nepcon Micro Electronics, Penang in June 2002
- Industrial Expo, Penang in March 2002
- Growing Penang, Penang in August 2002

Overseas

- NPE 2000 (The World Plastic Show Case), United States in June 2000
- Chinaplas (China Plastic Showcase) 2001, China in June 2001
- 9th Asia Petrochemicals, Thailand in September 2001
- K-Fair (Plastic and Rubber International Trade Fair), Germany between October and November 2001

Distribution Channel Strategy

Luster Group utilises mainly direct channels of distribution through its own sales and marketing team. This is due to the following factors:-

- High precision and precision plastic parts and components are customised to requirements and thus it would require significant technical knowledge to be able to market effectively; and
- As these parts and components are technical in nature, it will be difficult for Luster Group to engage a third party to market its products and services.

Thus, the direct sales approach enables the Group to work closely with its customers to evaluate and attain a better understanding of the customers' requirements. This is demonstrated in LN's close working relationship with the headquarters of Sony Electronics, NEC, Brothers and other MNC's customers in Japan.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

xii) R&D

Luster Group recognizes the importance of undertaking continuing R&D to maintain and enhance its competitive advantages in the following areas:-

- i) Attaining and sustaining high product quality;
- ii) Constantly meeting customers needs and technical specifications;
- iii) Increasing effectiveness, efficiencies and productivity to constantly reduce cost of production; and
- iv) Reducing cycle time.

The constant enhancement of competitive advantages is critical in a highly competitive market place, thus sustaining Luster Group's business growth and success in the long term. Luster Group's R&D activities involve the support given to its customers in their early development of model and products. R&D in Luster Group is an on-going process to provide technical support and consultancy in mould fabrication and manufacturing process to its customers.

As the Luster Group manufactures products based on customers' specifications and requirements, the customers define the ultimate output. Luster Group's R&D activities are mainly supporting their customers in their early development of model and products. The R&D expenses incurred are charged out to the respective accounts in the income statement. From this perspective, R&D in the sense of creating new products is outside the normal course of business for the Luster Group at this point in time.

However, as a supporting role as well as being responsible for physical production, R&D plays an important role that focuses on the early involvement in the development and construction of the mould to achieve the optimisation of the manufacturing processes.

The Group's R&D activities are undertaken jointly with Nakazawa Kogyo Co. Ltd in Japan through Luster's subsidiary company, LN. The R&D team is headed by Yu Fujihara who has more than 20 years experience in the manufacturing of high precision and precision plastic parts and components industry.

Some of the areas of material R&D include the following: -

- design of plastic parts and components
- composition of raw materials
- process improvement

Design of Plastic Parts and Components

LN works closely with MNC customers in the design of their individual parts and components for new models of electrical and electronic products.

The Luster Group provides the technical aspects of creating the design for all the individual parts and components that make up the total product.

This process requires a detailed review and analysis of proposed designs before transposing them into their respective parts and components required into the mould and die design.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

Part and component design takes into consideration, among many others, the following:-

- product function and features
- ergonomics
- practicality
- cost-effectiveness
- manufacturing process efficiencies
- standards
- use of standard parts
- re-use of moulds and dies
- compatibility
- safety
- durability
- consumer preferences.

As at 30 June 2003 (being the latest practicable date prior to printing of this Prospectus), there are 4 personnel that form part of the R&D team.

The team then works closely with LCW to design the moulds and dies using computer aided design software. Subsequently a full-scale prototype is fabricated before undergoing rigorous stages of testing and modification in order to achieve the final appearance of the product. Once the optimum solution is reached, the parts and components are then recommended to the customer for approval and production.

Process Improvement

Luster Group is continuously focused on process improvement with the aim of increasing efficiency and production output. This is critical as it has a direct impact on the Group's productivity and finished product quality. Some of the benefits of improving the processes focuses on the following: -

- improved cost-effectiveness
- improved customer satisfaction
- minimised wastage
- increased production volume
- faster turnaround time.

As such, the Group undertakes R&D through: -

- Selection of process flow best practices locally and abroad;
- Research in new technologies and machineries in improving the effectiveness, efficiencies, productivity and quality in its production processes;
- Development of jigs to reduce labour and increase throughput and product quality; and
- Continuous evaluation and improvement of existing processes and procedures to optimise workflow.

Currently Luster Group utilises advanced technology in its production process. Part of its production uses automated robotic arms to replace manual handling of parts during the injection moulding process. This increases the volume of production as well as product quality through reduced handling.

Process improvement also includes the design of the parts and components, which in many cases will determine the number of processes and handling within the entire manufacturing cycle.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

Thus, R&D in optimising its manufacturing process is important to the success of the Group's operation and sustaining its competitive advantages

Through its R&D activities, Luster Group has achieved the followings:-

- a) Improvement in the mould set-up time by an average of approximately 38% for 25T to 100T plastic injection moulding machines, approximately 48% for 150T to 280T plastic injection moulding machines and approximately 41% for 350T to 550T plastic injection moulding machines. Cycle time for plastic injection process has also shown an improvement; and
- b) Changing the cosmetic design of the castor wheels manufactured by Rhombus Castor (M) Sdn Bhd from metal to plastic.

The Group presently does not enjoy any Government incentive on its R&D expenses.

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)

xiii) Key Achievements, Milestones, Awards and Accreditations

Over the last four(4) years, Luster Group had received numerous awards and accreditations from its MNC customers. These awards and accreditations are the testament of Luster Group's commitment towards the quality of its products and services. The awards given to the individual company are: -

Luster

- A99 Award (Home Video) by Sony Electronics (M) Sdn Bhd in 1999;
- 400 PPM Achievement, Best Performance and Best Innovative Idea Award by Sony Electronics (M) Sdn Bhd in 2000;
- Best Vendor Award by Sharp-Roxy Corporation (M) Sdn Bhd in 2000 and 2001;
- Best Business Partner Award by Agilent Technologies (Penang) Sdn Bhd in 2001;
- Excellent Leadership Award by Sony Electronics (M) Sdn Bhd between February and June 2002;
- Quality Achievements for The Most Improved Vendors by Sony Electronics (M) Sdn Bhd in 2003; and
- Qualified as a Green Partner in the Green Partner Program organised by Sony Electronics (M) Sdn Bhd in 2003.

LPE

- Best Delivery Award by TIM Electronics Sdn Bhd in 1999;
- Excellent Vendor Award by TIM Electronics Sdn Bhd in 1999 and 2000; and
- Qualified as a Green Partner in the Green Partner Program organised by Sony Electronics (M) Sdn Bhd in 2003.

LM

- Qualified as a Green Partner in the Green Partner Program organised by Sony Electronics (M) Sdn Bhd in 2003.

Luster Group has also obtained the following quality accreditations from SIRIM. This provides customers with the assurance of quality of its products.

	ISO 9002	ISO 9001: 2000
LM	Since December 1999	Since November 2001
LPE	Since May 1999	Since May 2002
LPI	-	Since September 2002
Luster	-	Since December 2002
LCW	-	Since February 2003

xiv) Interruption to Luster Group's Operations

There have been no major interruptions to the business of Luster Group for the past 12 months preceding the date of this Prospectus.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)**xv) Employees**

As at 30 June 2003 (being the latest practicable date prior to printing of this Prospectus), Luster 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 labour has never been a major issue, neither has it impeded the Group's business growth or caused interruptions in its operations.

Operations in Malaysia

The overall employee segmentation of Luster Group's operations in Malaysia is as follows:

	Local	Foreign	Total
Management and Professionals	60	1	61
Technical Professionals			
- Quality Assurance	35	-	35
- Engineers	23	4	27
- Research & Development	3	-	3
- Others*	40	-	40
Clerical and Administrative	185	-	185
Factory Workers			
- Skilled Workers	309	68	377
- Semi-skilled Workers	186	33	219
- Unskilled Workers	346	966	1,312
TOTAL	1,187	1,072	2,259

* Others include mould set-up technicians, machine set-up technicians, general technicians and utilities operators

As at 30 June 2003 (being the latest practicable date prior to printing of this Prospectus), the total number of employees of Luster Group reached 2,259 for its operations in Malaysia. Management and professional personnel represented approximately 3% of Luster Group's total number of employees in Malaysia. Its technical professionals comprised quality assurance, engineers and R&D personnel, accounted for almost 5% of total employees. Clerical and administrative personnel represented nearly 8% of total employees.

Labour on the factory floor represents the largest category of employees, accounting for approximately 84% of the total employees of Luster Group's operations in Malaysia. These are primarily segmented into skilled, semi-skilled and unskilled labour, which accounted for approximately 17%, 10% and 58% respectively.

Foreign workers accounted for approximately 47% of the total employees of Luster Group in Malaysia whilst the remaining of approximately 53% are local workers. To-date, management of Luster Group has not experienced any shortage in supply of labour for its operations in Malaysia.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)**Operations in Indonesia**

The overall employee segmentation of operations in Indonesia is as follows:-

	Total
Management and Professionals	8
Technical Professionals	
- Quality Assurance	2
- Engineers	8
- R&D	-
- Others*	22
Clerical and Administrative	15
Factory Workers	
- Skilled Workers	36
- Semi-skilled Workers	18
- Unskilled Workers	80
TOTAL	189

* Others include mould set-up technicians, machine set-up technicians, general technicians and utilities operators

As at 30 June 2003 (being the latest practicable date prior to printing of this Prospectus), the total number of employees of Luster Group's operations in Indonesia reached 189. This mainly applies to the total employees of PTLI, a subsidiary of Luster Group. Management and professional personnel represented approximately 4% of the Luster Group's total employees in Indonesia. Its technical professionals comprised quality assurance, engineers, and R&D personnel, accounted for almost 17% of total employees for Luster Group's operations in Indonesia. Clerical and administrative personnel represented nearly 8% of the total employees in Indonesia.

Labour on the factory floor represents the largest category of employees, accounting for approximately 71% of the total employees of PTLI. To-date, management of Luster Group has not experienced any shortages in supply of labour for its operations in Indonesia.

The management of Luster Group has from time to time arranged internal and external courses to train their employees. The on-going training and development programmes cover technical and functional courses for the employees.

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)

The following external programmes have been arranged and attended by the employees:-

- Effective Communication Skills;
- Presentation Skills;
- CHRM;
- Competency Base Training & Education ("CBTE") Instructor Certification;
- Certificate in Occupation Health & Safety;
- CBTE Assessor Certification;
- Customer Relationship Management;
- ISO 14001 Awareness & Internal Audit;
- Problem Solving and Decision Making;
- Strategies in The Evaluation of Human Resource Management Activities;
- Effective Marketing Strategies and Personal Selling Skills; and
- Effective Supervisory Skill.

4.8 Major Customers

As at 31 March 2003, Luster Group has established a wide customer base of approximately 96 customers comprising various end-user industry sectors including:-

- consumer electronics;
- telecommunications products;
- medical equipment;
- test/measurement instruments;
- automotive parts;
- personal computer and peripherals;
- optoelectronics;
- castor wheels; and
- power tools.

Its customers are primarily MNC in Malaysia but focusing on servicing the global markets.

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)

The top 10 customers of Luster Group for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 are as depicted in the table below:

	Customer Name	Products Purchased	Length of Relationship (No. of years)	Contribution to the Group Revenue for the	
				Financial Year Ended 31.12.2002	3 Months Period Ended 31.03.2003
1	Sony Electronics (M) Sdn Bhd ("Sony")	Audio & Mould	13	58,564	9,896
2	Sharp-Roxy Corporation (M) Sdn Bhd ("Sharp")	Audio & Mould	15	20,529	3,386
3	Yakushin (M) Sdn Bhd (Gurun)	Audio & Mould	4	14,212	2,332
4	Agilent Technologies (Malaysia) Sdn Bhd	Instrument	2	5,545	1,355
5	Formosa Prosonic Industries Bhd	Acoustic	6	4,982	181
6	Formosa Prosonic Technics Sdn Bhd	Acoustic	1	4,741	490
7	P.T. Sony Electronics (Indonesia)	Audio	1	3,254	411
8	FA Technology Sdn Bhd	Audio	4	2,723	457
9	Advanced Sound Products Sdn Bhd	Acoustic & Mould	10	2,175	606
10	Robert Bosch (M) Sdn Bhd	Audio & Mould	3	1,671	566

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 of the Group revenue. This represented close to 96% and 93% of the Group's revenue. The remaining of approximately 4% and 7% of the revenue is spread across approximately 90 and 76 customers.

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

- The Group has enjoyed a close and long standing business relationship with its top three(3) customers, Sony, Sharp and Yakushin for 13 years, 15 years and 4 years respectively.
- 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 from these customer relationships indicates a mutually beneficial partnership.

Approximately 60% of its top 20 customers for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003, have been dealing with the Group for four or more years. Furthermore, 3 out of 20 customers have been dealing with the Group for ten or more years.

Overall, the Directors of Luster believe that its continuing efforts in marketing and maintaining its competitive edge via cost efficiency, products and services innovation can minimise its dependency on certain customers and industries.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

4.9 Major Suppliers

The following is Luster Group's top 10 suppliers for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003:-

	Supplier Name	Products/ Services	Length of Relationship (Years)	Contribution to the Group Purchases for the	
				Financial Year Ended 31.12.2002	3 Months Period Ended 31.03.2003
1	Petrochemicals (M) Sdn Bhd	Plastic resin	16	8,087	1,509
2	Durachem (Pg) Sdn Bhd	Paint/ Retarder/ Ink	16	3,858	406
3	Metaplastic Sdn Bhd	Sub-contract services	11	2,915	629
4	Giantvale (M) Sdn Bhd	Plastic resin	8	2,663	480
5	Nippon Pigment (M) Sdn Bhd	Plastic resin	16	2,546	757
6	Multi Square Sdn Bhd	Thinner/Paint /Retarder	11	2,313	327
7	Chi Wo Plastic Mould Fty Ltd	Sub-contract services	3	1,960	59
8	Atofina South East Asia Pte Ltd	Plastic resin	4	1,816	198
9	New Material (Malaysia) Sdn Bhd	Plastic resin	10	1,729	78
10	Carifa Plastic Sdn Bhd	Sub-contract services	7	1,609	194

Luster Group's top 20 suppliers represented approximately 63.3% and 46.3% or approximately RM41.82 million and RM6.94 million of total expenses for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 respectively. As part of Luster Group's philosophy of cultivating long-term suppliers, approximately 70% of the top 20 suppliers have been dealing with the Group for 5 years or more.

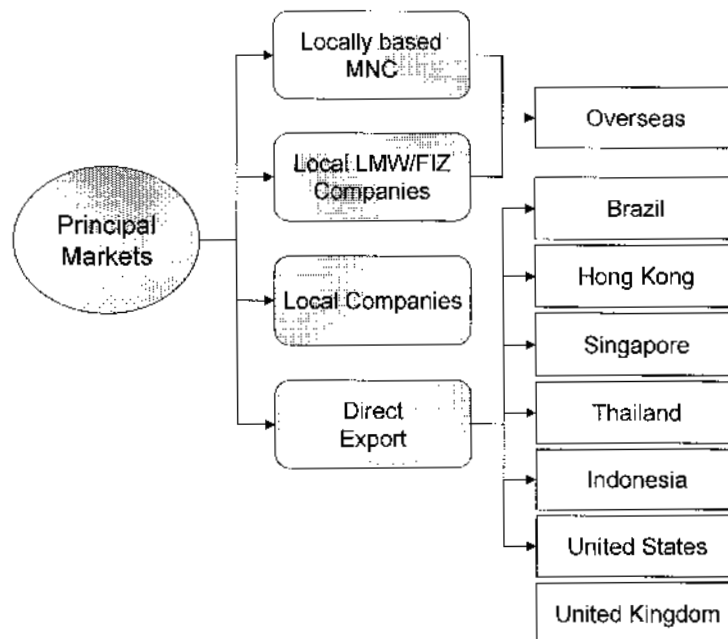
Luster Group is not overly dependent on any one supplier for its products.

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)

4.10 Principal Markets

The principal markets of Luster Group comprised both local and export markets and this is as depicted in the diagram below:-



Although the local market alone contributed approximately 98.8% and 99.7% of Luster Group's total revenue for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 respectively, these are divided into the following:

- approximately 72.9% and 77.8% to MNC customers based in Malaysia;
- approximately 25.6% and 21.8% are local LMW/FIZ companies; and
- approximately 0.3% and 0.1% are local companies.

Ultimately, Luster Group's MNC/FIZ customers would export products to the global market. The remaining of approximately 1.2% and 0.3% of Luster Group's total revenue were primarily direct exports. Although the revenue contribution of exports may be small at this stage, it is a growing market for Luster Group.

The precision plastic parts and components directly exported by Luster Group to overseas customers are consumer electronics such as audio visual products to Brazil, Hong Kong, Indonesia, Thailand and Singapore; whereas telecommunications products to Singapore and USA as well as medical instruments.

Some of Luster Group's customers overseas include: -

- Sony Plasticos Da Amazonia, Brazil;
- Sony Componentes, Brazil;
- Sony Da Amazonia, Brazil;
- Philips Electronics, Hong Kong;
- Hi-Tech Precision Products, Hong Kong;
- P.T. Dai Hwa Industrial, Indonesia;
- P.T Sharp Yasonta, Indonesia;
- P.T Sanken, Indonesia;
- P.T. JVC Electronics, Indonesia;
- NEC Business Coordination Centre, Singapore;
- Thai Mitsuwa, Thailand;
- Sony Mobile Electronics, Thailand;
- Mobility Electronics, United States of America; and
- Agilent Technologies, United States of America.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)**4.11 Approvals, Major Licences and Permits**

Approvals, major licences and permits under the possession of the Luster Group are as follows: -

i) Luster

No	Type of Licence	Authorities	Effective Date	Date of Expiry	Major Conditions
1	<p>i) Manufacturing Licence (Product: Spray painting, foil-stamping, silk-screen printing and sub-assembly of plastic components for electrical and electronic industries)</p> <p>ii) Manufacturing License (Product: Plastic injection moulded parts for electrical and electronic industries)</p>	MITI	<p>24.06.1992</p> <p>22.02.1993</p>	<p>N/A</p> <p>N/A</p>	<ul style="list-style-type: none"> Luster is excluded from equity condition. If the shareholder's fund reaches RM2.5 million, Luster must inform MITI in writing; Selling of shares in Luster by non-Malaysian is subject to MITI's approval; The composition of the Board of Directors must be reflective of the shareholding and MITI must be duly notified of all changes in the Board of Directors; Written consent must be obtained from the MITI prior to execution of agreement for technology transfer with foreigners, such as joint venture agreement, agreement of transfer of know-how, licensing agreement, agreement on trademark and patent, "turnkey" contract and management agreement; and Luster must endeavour to appoint Malaysian owned companies to distribute its products and appoint Bumiputera distributors to distribute at least 30% of sales for domestic market. Selection and appointment of Bumiputera distributors must be done after consulting MITI. Appointment of foreign owned companies as distributors must obtain prior approval from MITI.
2	Manufacturing Warehouse Licence	Royal Malaysian Customs and Excise	1.11.2001	31.10.2004	N/A
3	Warehouse Licence	Royal Malaysian Customs and Excise	1.11.2001	31.10.2004	N/A

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

ii) LPE

No.	Type of Licence	Authorities	Effective Date	Date of Expiry	Major Conditions
1	<p>i) Manufacturing Licence (Product: Plastic injection moulded parts/components for the electrical, electronic and telecommunication industries)</p> <p>ii) Manufacturing Licence (Product: Sub-assembling of plastic component for electrical & electronic industries)</p>	MITI	<p>31.01.1997</p> <p>22.10.1998</p>	<p>N/A</p> <p>NA</p>	<ul style="list-style-type: none"> All shares in the LPE must be held by Malaysian shareholders inclusive of at least 30% special shares and discussion with MITI before allotment of the special shares; The composition of the Board of Directors must be reflective of the shareholding and MITI must be duly notified of all changes in the Board of Directors; Written consent must be obtained from the MITI prior to execution of agreement for technology transfer with foreigners, such as joint venture agreement, agreement of transfer of know-how, licensing agreement, agreement on trademark and patent, "turnkey" contract and management agreement; and LPE must endeavour to appoint Malaysian owned companies to distribute its products and appoint Bumiputera distributors to distribute at least 30% of sales for domestic market. Selection and appointment of Bumiputera distributors must be done after consulting MITI. Appointment of foreign owned companies as distributors must obtain prior approval from MITI.
2	Manufacturing Warehouse Licence	Royal Malaysian Customs and Excise	1.10.2001	30.9.2003	N/A
3	Warehouse Licence	Royal Malaysian Customs and Excise	1.10.2001	30.9.2003	N/A

4. INFORMATION ON THE LUSTER GROUP (Cont'd)iii) **LM**

No.	Type of Licence	Authorities	Effective Date	Date of Expiry	Major Conditions
1	Manufacturing Warehouse Licence	Royal Malaysian Customs and Excise	1.01.2002	31.12.2003	N/A
2	Warehouse Licence	Royal Malaysian Customs and Excise	1.01.2002	31.12.2003	N/A
3	Manufacturing Licence	MITI	26.05.1993	N/A	<ul style="list-style-type: none"> • All shares must be held by Malaysian; • The composition of the Board of Directors must be reflective of the shareholding and MITI must be duly notified of all changes in the Board of Directors; • Written consent must be obtained from the MITI prior to execution of agreement for technology transfer with foreigners, such as joint venture agreement, agreement of transfer of know-how, licensing agreement, agreement on trademark and patent, "turnkey" contract and management agreement; and • LM must endeavour to appoint Malaysian owned companies to distribute its products and appoint Bumiputera distributors to distribute at least 30% of sales for domestic market. Selection and appointment of Bumiputera distributors must be done after consulting MITI. Appointment of foreign owned companies as distributors must obtain prior approval from MITI.

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)**iv) LPI**

No.	Type of Licence	Authorities	Effective Date	Date of Expiry	Major Conditions
1	Manufacturing Licence	MITI	16.07.2001	N/A	<ul style="list-style-type: none"> All shares in LPI must be held by Malaysian shareholders inclusive of at least 26% special shares. Should LPI call for an increase in paid-up capital, all shares must be purchased and held by Malaysian citizen including 30% special shares; The composition of the Board of Directors must be reflective of the shareholding and MITI must be duly notified of all changes in the Board of Directors; and Written consent must be obtained from the MITI prior to execution of agreement for technology transfer with foreigners, such as joint venture agreement, agreement of transfer of know-how, licensing agreement, agreement on trademark and patent, "turnkey" contract and management agreement.
2	Manufacturing Warehouse Licence	Royal Malaysian Customs and Excise	01.07.2002	30.06.2004	N/A
3	Warehouse Licence	Royal Malaysian Customs and Excise	01.07.2002	30.06.2004	N/A

v) LCW

No.	Type of Licence	Authorities	Effective Date	Date of Expiry	Major Conditions
1	Pioneer Status	MITI	1.11.1999	31.10.2004	<ul style="list-style-type: none"> At least 40% of the LCWs shares must be held by Malaysian; The value of revenue has to achieve at least 45% increase; and Total staff in management, technical and supervisory level must be at least 15% of the total manpower of LCW.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)vi) **PTLI**

No.	Type of Licence	Authorities	Effective Date	Date of Expiry	Major Conditions
	EPTe (equivalent to Manufacturing Warehouse Licence)	Menteri Keuangan Republic Indonesia	05.04.2001	N/A	N/A

4.12 Related Party Transactions / Conflict of Interest**4.12.1 Promotions of any asset acquired/to be acquired within two years preceding the date of Prospectus**

- (a) Save as disclosed below, none of the Director and/or substantial shareholder of the Company and its subsidiary companies and persons connected to them, has any interest, direct or indirect, in the promotion of or in any asset which have, within the two(2) years immediately preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or its subsidiary companies or any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Company and its subsidiary companies taken as a whole.

Acquisition of LPE by Luster	
Director/Substantial Shareholder	Nature of Interest
Lim See Chea	Director and substantial shareholder of LPE
Hang Kok Long	Director and substantial shareholder of LPE
Chiang Chong Kooi	Director of LPE
Lim See Hua	Director of LPE

Acquisition of LPI by Luster	
Director/Substantial Shareholder	Nature of Interest
Lim See Chea	Director of LPI
Lim See Hua	Director and substantial shareholder of LPI
Chiang Chong Kooi	Director of LPI
Hang Kok Long	Director of LPI

Acquisition of LE by Luster	
Director/Substantial Shareholder	Nature of Interest
Fong Swee Hin	Director of LE

- (b) Sale and Purchase Agreement dated 27 July 2001 made between Lim See Chea of the one part LE of the other part wherein Lim See Chea have agreed to sell to LE and LE have agreed to purchase from Lim See Chea, 490,000 issued and paid up shares of USD1.00 each in the issued and paid up share capital of PTLI for the total purchase consideration of USD490,000.00.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

4.12.2 Transactions between Luster Group and the Directors and/or Substantial Shareholders

- (a) Lim See Hua, a Director and shareholder of Luster is also a minority shareholder of Premium Vector Sdn Bhd ("**Premium Vector**"). Premium Vector has 16.92% equity stake in Octagon Consolidated Berhad ("**Octagon Consolidated**"), a manufacturer of industrial paints and inks.

Eric Lim See Leng, the brother of Lim See Chea and Lim See Hua, has 16.92% indirect shareholding in Octagon Consolidated by virtue of his substantial shareholding in Premium Vector.

Durachem (Penang) Sdn Bhd ("**DSB**"), a subsidiary company of Octagon Consolidated is a supplier to Luster Group. Luster Group purchased approximately RM3.9 million and RM0.35 million of industrial paints from DSB for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 respectively.

- (b) Lim See Meng is the brother of Lim See Chea and Lim See Hua. Lim See Meng holds 10% equity stake in Exzone Plastic Manufacturers Sdn Bhd ("**Exzone**"), one of the sub-contractors and vendors appointed by the customers of Luster Group. For the financial year ended 31 December 2002, the sub-contracting fees of Exzone accounted for approximately RM22,675. There is no sub-contracting fees for the three(3) months period ended 31 March 2003.
- (c) Lim See Koon and Lim See Guan are brothers of Lim See Chea and Lim See Hua. Lim See Koon and Lim See Guan hold 75% and 15% equity stake respectively in KK Evergreen Sdn Bhd ("**KK Evergreen**"). KK Evergreen is also one of the sub-contractors of Luster Group. The sub-contracting fees of KK Evergreen accounted approximately RM1.1 million and RM0.02 million for the financial year ended 31 December 2002 and the three(3) months period ended 31 March 2003 respectively.

4.12.3 Interest in similar business

Lim See Hua, a Director and shareholder of Luster was appointed as a commissioner of PT Multi Pratama Interbuana Indonesia ("**PT Multi**") on 7 July 2000 and resigned on 11 February 2003. PT Multi is a company incorporated in Indonesia and it is principally involved in the manufacturing, assembly and fabrication of plastic parts and products. Lim See Hua does not have any direct interest in PT Multi, is not involved in the operations of the PT Multi and neither does he receive any remuneration from PT Multi. Premium Vector, a company where Lim See Hua is also a minority shareholder has 51% equity stake in PT Multi. There is no transaction between Luster Group and PT Multi as at 30 June 2003 (being the latest practicable date prior to printing of this Prospectus).

Save as disclosed above, none of the Director and/or substantial shareholder of the Company and persons connected to them, has any interest, direct or indirect, in any business carrying on a similar trade as the Company and its subsidiary companies.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

4.12.4 Declaration by the Advisers

AmMerchant Bank hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser to Luster Group for the Public Issue.

Messrs KPMG hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants to Luster Group for the Public Issue.

Messrs Ong and Manecksha hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors to Luster Group for the Public Issue.

Vital Factor Consulting Sdn Bhd hereby confirms that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Independent Business and Industry Consultant to Luster Group for the Public Issue.

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)

4.13 Industry Overview***i) Overview of the Malaysian Economy***

The Malaysian economy entered 2002 on a stronger footing, after recovering from a downturn experienced in the last two quarters of 2001. Riding on the back of the United States ("US") economy and a stronger outturn in the later half of 2002, the Malaysian economy is expected to register a higher but moderate growth in gross domestic product ("GDP"). The year began with optimism as world economy recovered, led by the US on account of better demand for housing, motor vehicles, increased public expenditure on defence and turnaround in demand for electronics. The high expectations of a strong recovery for the year were, however, marred by a series of uncertainties, particularly a weak second quarter performance, reflecting a slower US GDP growth and lower corporate earnings. With global economic growth intact and supported by a strong domestic sector, Malaysia's economy is expected to further strengthen, particularly during the second half of 2002.

The immediate and major challenge for 2002 is sustaining growth and strengthening macroeconomic fundamentals, post-September 11. The fragile and vulnerable global recovery necessitated a mildly expansionary fiscal stance in order to ensure the growth momentum is sustained. Although, the Government is committed to begin with the move towards a balanced budget in the medium term, abrupt reduction of public sector expenditure is deemed premature in the light of the uncertain external outlook.

The higher GDP growth of 4%-5%, driven by the domestic sector for the second year running, is expected to emanate from increasing contribution of the private sector. The services sector continue to be the leading contributor to economic growth adding 3 percentage points to growth, followed by the manufacturing sector with 1.6 percentage points arising from the turnaround and improvements in global demand for information and communications technology ("ICT") products. Spurred by improvements in external demand for electronics exports as well as higher palm oil and rubber prices, private consumption is projected to expand by 5.9% (2001:2.8%), with private investment recovering by 1.8% (2001:-19.9%)

Malaysia's leading edge, however, lies in the highly skilled, educated and trainable labour force with increasing number of knowledge-workers for the high value-add ICT companies. In addition, the annual dialogues between the public and private sectors held to resolve private sector concerns are fine examples of a pro-business and investor-friendly Government in line with the concept of Malaysian Incorporated. This continuous exercise is expected to further facilitate business activities in the country. With technological enhancement within the environment of the upcoming new economy, costs of doing business will be invariably reduced, thereby further increasing the country's competitiveness.

With the mild recovery intact in 2002 and expected to gather momentum in 2003, the world economy is projected to register output growth of 3.7% with trade expanding at 6.6%. The US is forecast to chart a stronger GDP growth of 2.6%, while the euro area is expected to further improve by 2.9%. The Malaysian economy, with the stronger macroeconomic fundamentals already in place and complemented by more resilient corporate and financial sectors, is now poised to benefit from the much-improved global economic environment projected for 2003. Output expansion is anticipated in all sectors of the economy, with GDP envisaged to chalk 6%-5%, arising from a broader based economy with growth emanating from a more pronounced role of a revitalized and dynamic private sector. The manufacturing sector is expected to continue its expansion to record 8.5% increase in output and contribute

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

2.6 percentage points to GDP growth while the services sector, with a projected increase of 5.9%, remains the major contributor to growth with 3.3 percentage points. The construction sector is forecast to expand 4.5% while the agriculture and mining sectors are envisaged to improve by 3.4% and 2.5%, respectively.

The Malaysian economy is envisaged to strengthen in 2003, led by further improvements in both external and domestic demand. On the supply side, all sectors of the economy are expected to register positive growth rates. The anticipated growth in the global economy and world electronics demand will contribute to a more robust and broad-based growth in the manufacturing sector. Overall, real GDP growth is expected to accelerate to 6%-6.5% in 2003.

(Source : *Economic Report, 2002/2003*)

According to Malaysian Institute of Economy Research ("MIER"), given the highly precarious state of the world economy, subjected to the uncertain threats of Severe Acute Respiratory Syndrome ("SARS") and the aftermath of the Iraq War, the Malaysian economy will be negatively affected as well. The Malaysian economy is entering a slowdown phase with reasonably strong fundamentals. MIER projected Malaysia's GDP growth to decelerate somewhat to 3.7 per cent in 2003, in view of a foreseeable weakness in the external sector and its impact through domestic linkages. With increased external demand, coupled with further revival of the private sector, the Malaysian economy could expand at a faster pace of 5.4 per cent in 2004. In the worse case scenario, there could be a sharp downturn in the global economy and domestic demand that would severely dampen Malaysia's economic performance.

(Source: *The Malaysian Institute of Economic Research (MIER), Short-term Economic Outlook, 16 April 2003*)

ii) Overview of the Malaysian Manufacturing Sector

Signs of a turnaround in the manufacturing sector have become more visible in the second quarter of 2002. After experiencing 11 months of consecutive decline, output of the manufacturing sector has improved from -11% recorded in the fourth quarter of 2001 to bounce back with three straight months of positive growth since April 2002. A steady recovery of the sector is anticipated for the rest of the year, on account of a revival in external demand and sustained growth in domestic consumption.

Manufactured exports are expected to stage a turnaround in 2002, in view of the improving outlook on external demand, particularly in the US and the Asia Pacific region as well as the anticipated recovery of the global electronics industry. With a gradual global economic recovery and a more competitive ringgit arising from the softening of the US dollar vis-a-vis the yen and the euro as well as regional currencies, manufactured exports are poised for a stronger upturn in the second half of the year.

For the year as a whole, manufactured exports are expected to turn around to register a positive growth of 5.4%, driven by electrical and electronics ("E&E") exports, which account for about 70% of total manufactured exports. E&E exports are expected to grow by 6.9% (2001: -13.5%). Similarly, exports of the non-electronic industries are expected to expand by 1.9% (2001: -2.7%), particularly those producing food, chemicals and chemical products, non-metallic products and machinery and transport equipment.

(Source: *Economic Report 2002/2003*)

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

iii) Overview of Plastic Injection Moulding Industry

It is the Malaysian Government's intention to nurture the development of industry linkages to serve the needs and requirements of MNC in the Electrical and Electronics Industry. One of the supporting/ancillary industries includes the Plastic Injection Moulding sector.

Plastic Injection Moulded Parts and Components are critical as they form the internal and external parts of the finished product itself, without which the product would not be complete.

The performance of the industry will also directly contribute to the growth of the economy as a whole. This is reflected by the fact that ex-factory sales value of the manufacture of Plastic Products (including Plastic Injection Moulded Products) increased at an average annual rate of 15.4% between 1998 and 2002.

In 2002, ex-factory sales value of these types of Plastic Products reached RM8.0 billion. In 2002, the market size for the Plastic Injection Moulding Industry in Malaysia was estimated at approximately RM3.5 billion based on the turnover of the total Plastic Industry. This is based on the turnover of the Plastic Industry including manufacture of plastic injection moulded products, which was estimated at approximately RM8.8 billion. According to the Malaysian Plastic Manufacturers Association, the manufacture of plastic injection moulded products is the largest manufacturing process within the Plastic Industry. Plastic injection moulding process contributed approximately 40% of the total Plastic Industry.

Between 1998 and 2002, the average annual growth rate of the sales value of the manufacture of plastic products not elsewhere classified was 15.4%. In 2002, the turnover of plastic industry increased marginally by an estimated 3.5%.

The wide linkages of the Plastic Injection Moulded Industry illustrate its critical role to many other dependent industries. As such, the significant role of the plastic injection moulding industry will also act as a catalyst for economic activities, employment and creation of wealth.

There are many types of operators within the Manufacture of Plastic Injection Moulded Parts and Components Industry in Malaysia. Some of these operators focus mainly on the production of Plastic Injection Moulded Parts and Components for the electrical and electronics industry whilst others concentrate on Plastic Injection Moulded Parts and Components for household products, medical instruments, automotive parts or a combination of these products.

Generally, competition among operators in the Plastic Injection Moulding Industry within Malaysia is intense, however there are different levels of competitive intensity depending on the sectors of the markets served. In 2002, there were approximately 500 manufacturers of plastic injection moulded parts and components. Thus, the sheer number of operators in the market contributes to the intensity of competition. However intensity of competition is dependent on the product categories as there is a wide proliferation of plastic injection moulded parts and components for a diverse range of industries including, among many others, electrical appliances, air-conditioners, toys, home electronics, telecommunications, office automation, automotive and personal computers, medical instruments. Some of the operators would specialise and focus mainly on manufacturing parts for certain industry sectors, for example household plastic products, kitchenware, bathroom and toilet products, automotive parts and toys.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

Competitive intensity would also be dependent on the complexity of the end-product for example basic plastic parts for toys would face the most competition as it is the least complex in terms of manufacturing processes. Complex products such as certain electronics and electrical products would require additional processes and a higher quality of finishing whereby only certain larger operators with the appropriate machinery and equipment are able to fulfil.

In addition, companies that focus on value-added or high precision Plastic Injection Moulded Parts and Components that requires strict adherence to quality and specifications face less competition compared to the manufacturers of basic Plastic Injection Moulded Parts and Components.

Operators that are able to provide a total solution by having integrated manufacturing capabilities such as mould design and fabrication, manufacturing, PCBA and assembly will differentiate significantly from other operators that focuses mainly on manufacturing of Plastic Injection Moulded Parts and Components. The end user of plastic injection moulding parts and components include personal computer, consumer electronics, household electrical appliances, telecommunications, office equipment, automotive, medical equipment and test instruments as well as household products.

(Source: Vital Factor Consulting Report on Assessment of the Plastic Injection Moulding Industry dated on 31 March 2002)

iv) **Outlook and Prospect of Plastic Injection Moulding Industry**

The outlook for the Plastic Injection Moulding Industry is favourable. The Plastic Injection Moulding Industry is forecasted to grow at approximately 6% to 8% per annum for the next five years.

The main drivers of growth include social-economic growth such as Gross Domestic Product growth and population growth will increase demand for industrial, commercial and consumer products requiring Plastic Injection Moulding Industry. This is because of the diverse applications of injection moulding particularly in producing a very wide range of consumer products.

Increasing affluence of consumers as reflected in the increase in Gross National Product per capita and disposable income, will increase affordability for consumer goods to further stimulate demand for the Plastic Injection Moulding Industry.

Growth in the economies of export markets which will continue to generate demand for products requiring Plastic Injection Moulding Industry. This factor is particularly important as Malaysia exports a very significant proportion of its manufactured products, in electrical and electronic goods as well as other polymer-based consumer and industrial products.

Economic growth and social developments of developing and underdeveloped countries will provide the next growth impetus as these countries increase their consumption of products requiring Plastic Injection Moulding Industry.

Innovations and developments of new applications of Plastic Injection Moulding Industry are some of the key drivers in expanding usage and increasing demand for improved product solutions. Towards this end, the Malaysian Plastic Design Centre was established in 1998, with the objective of assisting manufacturers to develop new designs and a wide range of high value-added products.

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

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

v) Performance of End-user Industries

As part of the growth of the Plastic Injection Moulding Industry is also dependent on the performance of its end-user industries, the following is an analysis of performance in some of these sectors:-

Local Production

- Between 1998 and 2002, output of the Electronics Industry recorded an average annual growth rate of 5.1% to reach RM126.4 billion in 2002;
- Between 1998 and 2002, output of the Electrical Industry increased at an average annual rate of 9.5% to reach RM9.9 billion in 2002;
- Between 1998 and 2002, the ex-factory sales value of the Manufacture of Radio and Television sets, Sound Reproducing and Recording Equipment increased at an average annual rate of 3.1% amounting to RM28.0 billion;
- Between 1998 and 2002, the production volume of Television sets increased at an average annual rate of 6.9% to reach 10.5 million units in 2002; and
- Between 1998 and 2002, the production volume of Radios decreased at average annual rate of 7.8% to reach 21,884 units in 2002.

Recorders/Cassette/Cartridge Players including Tape Deck

- For the first seven months of 2002, the sales value of the Manufacture of Recorders/Cassette/Cartridge Players including Tape Deck decreased marginally by 1.9% ;
- Between 1997 and 2001, the sales value of the Manufacture of Recorders/Cassette/Cartridge Players including Tape Deck grew at average annual rate of 18.2% to reach approximately RM1.1 billion in 2001; and
- For the first seven months of 2002, the production volume of the Manufacture of Recorders/Cassette/Cartridge Players including Tape Deck increased significantly by 1.5% to reach approximately 1.4 million units. Between 1997 and 2001, the production volume of the Manufacture of Recorders/Cassette/Cartridge Players including Tape Deck grew at average annual rate of 0.2%.

Compact Disc Players

- Between 1997 and 2001, sales value of the Manufacture of Compact Disc Players grew at average annual rate of 58.9% to reach approximately RM4.1 billion in 2001;
- For the first seven months of 2002, the sales value of the Manufacture of Compact Disc Players decreased by 17.6% amounting to approximately RM1.9 billion compared to RM2.3 billion for the same period in 2001;
- Between 1997 and 2001, the production volume of Manufacture of Compact Disc Players grew at average annual rate of 24.5%. For the first seven months of 2002, the production volume decreased by 10.6% to reach approximately 7.3 million units.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

Mini Compo

- For the first seven months of 2002, the sales value of the Manufacture of Mini Compo declined by 39.7% amounting to approximately RM580.7 million compared to RM963.7 million for the same period in 2001;
- However, between 1997 and 2001, the sales value of Manufacture of Mini Compo grew at average annual rate of 7.2%; and
- Between 1997 and 2001, the production volume of Manufacture of Mini Compo grew at average annual rate of 9.5%. For the first seven months of 2002, the production volume decreased by 60.3% to reach approximately 1.8 million units.

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

Export Performance

- Between 1998 and 2002, gross export of Electronics grew at an average annual rate of 7.8%;
- Between 1998 and 2002, gross export value of Electrical Machinery and Appliances increased at an average annual rate of 3.6%;
- Between 1998 and 2002, the gross export of Consumer Electrical Products (mainly audio-visual products) increased at an average annual rate of 0.5% amounting to approximately RM21.1 billion;
- Between 1998 and 2002, the gross export of Household Electrical Appliances (mainly rice cookers, washing machines, refrigerators and others) increased at an average annual rate of 12.4%;
- Between 1998 and 2002, the export of Telecommunications and Sound Recording and Reproducing Apparatus and Equipment experienced an average annual growth rate of 3.2%;
- In 2002, the export value of Automatic Data Processing Machines increased by 31.0% to reach approximately RM33.0 billion compared with RM25.2 billion in 2001;
- Between 1998 and 2002, the export value of Automatic Data Processing Machines increased at an average annual rate of 12.5%; and
- Between 1998 and 2002, the export of road vehicles declined at an average annual rate of 6.3% to reach approximately RM1.6 billion in 2002. However, export of road vehicles increased by 18.4% in 2002 compared to 2001.

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

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

vi) Demand Dependencies

The usage and applications of Plastic Injection Moulded Parts and Components are extensive and diverse. Some of its end-user industries include the following:-

- consumer electrical products such as audio-visual products;
- household electrical appliances such as refrigerators, toasters, microwave ovens and washing machines;
- telecommunications equipment such as mobile phones, telephones, telecommunication devices and satellite receivers;
- computers and peripherals such as personal computers, notebooks, keyboards, monitors and modems;
- office equipment and machinery such as photocopy machines, typewriters, accounting machines and stencil duplicating machines;
- automotive products such as passenger and commercial vehicles, motorcycles and scooters;
- medical instruments and equipment such as instruments and appliances used in the medical, surgical, dental or veterinary practice or science, for example ophthalmic instruments and needles; and
- household products such as kitchenware, buckets and garbage bins.

The diversity in applications and user industries will continue to provide continuing demand and opportunities for operators within the Plastic Injection Moulding Industry. As such, the performance of the end-user-industries will impact on the demand for Plastic Injection Moulded Parts and Components.

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

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4. INFORMATION ON THE LUSTER GROUP (Cont'd)

vii) Supply Dependencies

The main supply dependencies for the Plastic Injection Moulding Industry is resin. These include commodity and engineered resin depending on the requirements and grade of performance of the Plastic Injection Moulded Parts and Components. Most of the resins are available from local producers with the exception of engineered resin. These are primarily imported from a number of source countries overseas.

Some of the main types of resin used in a typical Plastic Injection Moulding include:-

- Polystyrene;
- Polyethylene;
- Polypropylene;
- Polycetals, other Polyethers and Epoxide Resins;
- Polycarbonate, Alkyd Resins, Polyallyl Esters and other Polyesters; and
- Acrylic polymers.

Of these, Polycetals, other Polyethers and Epoxide Resins and Polycarbonate, Alkyd Resins, Polyally Esters and other Polyesters and Acrylic polymers are imported, as there is no local production date available of such types of resin.

In 2002, the annual production capacity for all types of Plastic resin is approximately 2 million tonnes. In 2002, production capacities for some of the Plastic resins in Malaysia is depicted in the following table:

PLASTIC RESINS	CAPACITY
Polypropylene	410,000 tonnes
Polyethylene	1,000,000 tonnes
Polystyrene	140,000 tonnes
Polyvinylchloride	230,000 tonnes
Acrylonitrile Butadiene Styrene	170,000 tonnes
Polyethylene Terephthalate (PET)	30,000 tonnes

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

viii) Government and Environmental Factors

Government Regulations

Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on the performance and growth of operators within a free enterprise environment.

Environmental Regulations

The disposal of wastes and sludge resulting from the plastic injection moulding process will fall under the Environmental Quality (Scheduled Wastes) Regulations 1989.

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

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

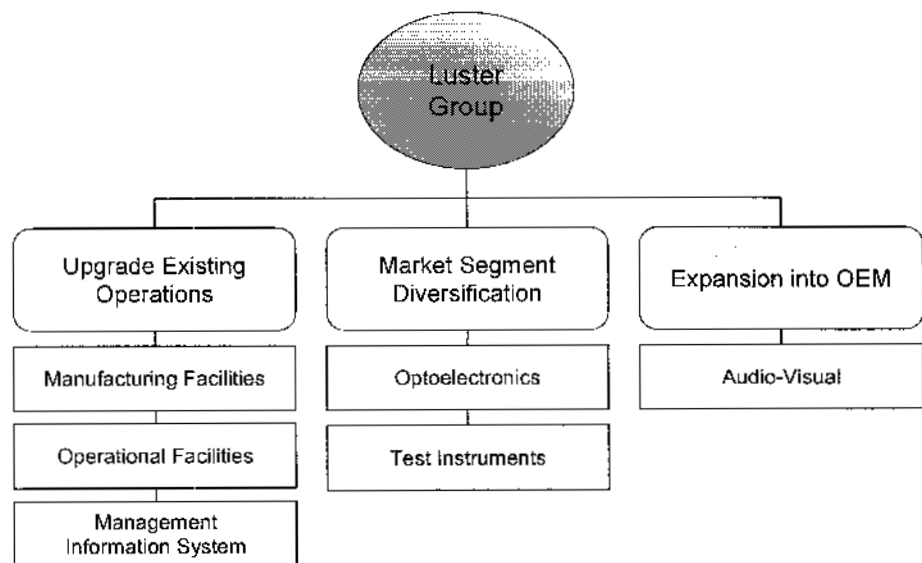
ix) Market Size

In 2002, the market size was estimated at RM3.5 billion and there were approximately 500 operators within the industry. As such, only market share of the Group was provided, which was approximately 4% in 2002.

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

x) Prospect and Future Plans of the Luster Group

The future plans of Luster Group are focused in three key areas as depicted in the figure below:-



a) Expansion into Original Equipment Manufacturer

Currently Luster Group's final deliverables comes in the form of semi-finished parts and components with the exception of Indonesia, which is already involved in the full assembly of finished products. Luster Group believes that it is in a strong position to become an OEM and complete the final assembly of the finished product for its operations in Malaysia.

This is a natural extension or progression for Luster Group having in place, the full integration of capabilities from mould design, manufacturing of high precision and precision plastic parts, PCBA through to the final assembly of semi-finished parts.

As such, Luster Group intends to expand its existing activities to incorporate facilities to undertake precision plastic parts and components through to the final assembly of the finished product in 2003. To capitalise on the expertise of Luster Group, the OEM expansion plans will focus mainly on audio-visual products.

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

b) Market Segment Diversification

As a priority, Luster Group will be exploring opportunities with its existing customer base before focusing its marketing efforts to new customers.

Luster Group intends to diversify into OEM for the optoelectronics and test instruments sectors by undertaking contract manufacturing for MNCs in Malaysia including, among others:-

- Osram Opto Semiconductors (M) Sdn Bhd (optoelectronics)
- Agilent Technologies Sdn Bhd (test instruments)

Luster Group is well placed to address the optoelectronics and test instruments sectors as it is currently their approved vendor for the above companies. Optoelectronics has major applications. As such, Luster Group's diversification into this sector would provide it with significant growth opportunities to sustain the business for the future.

c) Upgrade Existing Operations

New Machinery and Equipment

Part of Luster Group's plans also involves the purchase of new machinery and equipment for the following operations:-

- design and production of mould and die
- 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 on its mould fabrication and design activities, the Group proposes to invest in the following additional machinery and equipment for LPE and LCW:

- 5 units of CNC milling machines
- 1 unit of vertical machinery centre
- 1 unit of CNC wire cut EDM machine
- 1 unit of die-sink EDM machine

These are mainly high-end equipment and machinery, which is beyond the tolerance capabilities of its existing mould fabrication production facilities. Luster Group intends to purchase these equipment and machinery within one(1) year from the date of Listing. As 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 but more importantly, increase the production output and consistently maintain the quality. Luster Group plans to purchase 3 units of robotic arms for Luster and LPE within one(1) year from the date of Listing.

Operational Facilities

Part of Luster Group's future plans include upgrading of its existing operations in the following areas: -

- implement electrical power distribution system
- improve the air-flow system in paint spraying facilities

4. INFORMATION ON THE LUSTER GROUP (Cont'd)

The implementation of the electrical power distribution system will bring about cost savings and promote the efficient use of electricity. The improvements in air-flow system is to comply to clean room conditions whereby there is minimal dust. This is for the application of paint spraying of high precision plastic parts and components.

Luster Group proposes to invest in the above operational facilities within one(1) year from the date of Listing.

Management Information System

Other upgrade of facilities includes the implementation of Enterprise Resource Planning System ("**ERP**"). It is expected that implementation will take place within one(1) year from the date of Listing.

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

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