

**LUSTER INDUSTRIES BHD.**  
**(Company No. 156148-P)**  
**(Incorporated in Malaysia)**  
**Notes to the interim financial report**

**1. Basis of preparation**

The interim financial report has been prepared in compliance with MASB 26, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Luster Industries Bhd for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by Luster Industries Bhd and its subsidiaries in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2004.

**2. Auditors' qualification**

No qualification on the audit report of the preceding annual financial statements of Luster Industries Bhd.

**3. Seasonality or cyclicity factors**

The operations of the Group are subjected to seasonal orders throughout the reported period.

**4. Exceptional and extraordinary items**

There were no material exceptional and extraordinary items for the period under review.

**5. Change in estimates**

There was no material change in the estimates used for the preparation of this interim financial report.

**6. Change in debt and equity securities**

There was no change in debts and equity securities for the period under review.

**7. Dividends paid**

No dividend was paid for the current quarter ended 31 March 2005.

**8. Segment revenue and results**

No segment information by business activities has been prepared as the Group's activities involves primarily in one sector of operation only.

## Geographical Segments

Description	Unaudited Current year quarter ended 31 March 2005			Unaudited Preceding year quarter ended 31 March 2004		
	Revenues from external customer by location of customers	Segmental assets by location of assets	Capital expenditure by location of assets	Revenues from external customer by location of customers	Segmental assets by location of assets	Capital expenditure by location of assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	27,494	137,653	6,189	29,599	110,061	1,526
Indonesia	1,105	17,391	125	963	15,873	14
	28,599	155,044	6,314	30,562	125,934	1,540
Elimination	-	-	-	-	-	-
Consolidated	28,599	155,044	6,314	30,562	125,934	1,540

Description	Unaudited Current year cumulative quarter ended 31 March 2005			Audited Preceding year cumulative quarter ended 31 March 2004		
	Revenues from external customer by location of customers	Segmental assets by location of assets	Capital expenditure by location of assets	Revenues from external customer by location of customers	Segmental assets by location of assets	Capital expenditure by location of assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	27,494	137,653	6,189	29,599	110,061	1,526
Indonesia	1,105	17,391	125	963	15,873	14
	28,599	155,044	6,314	30,562	125,934	1,540
Elimination	-	-	-	-	-	-
Consolidated	28,599	155,044	6,314	30,562	125,934	1,540

### 9. Revaluation of property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation. There was no material write-down in property, plant and equipment during the quarter under review.

### 10. Material post balance sheet events

There was no material post balance sheet event subsequent to the period under review.

### 11. Changes in Group's composition

On 27 January 2005, Luster Industries Berhad ("LIB") has completed the acquisition of 480,000 ordinary shares of RM1 each representing 80% of the issued and paid up share capital of Mctronic Industries Sdn Bhd ("MISB"). The principal activity of MISB is dealing in electronic products assembly.

Luster Manufacturing Sdn Bhd ("LMSB"), a wholly owned subsidiary of LIB, had on 3 February 2005 incorporated a wholly owned subsidiary in Singapore under the registered name of Millennium Environment (Asia Pacific) Pte Ltd ("MEAP"). MEAP's authorised share capital is SGD2,000,000 divided into 2,000,000 ordinary shares of SGD1 each. MEAP's issued and paid up capital is SGD2 divided into 2 ordinary shares of SGD1 each. The principal activities of MEAP are engineering, manufacturing, facility designing, construction management and distribution of waste disposal equipment.

On 21 February 2005, MEAP, a wholly owned subsidiary of LMSB, had incorporated a wholly owned subsidiary in Singapore under the registered name of MEA Environment (Asia Pacific) Pte Ltd ("MEA"). MEA's authorised share capital is SGD2,000,000 divided into 2,000,000 ordinary

shares of SGD1 each. MEA's issued and paid up capital is SGD2 divided into 2 ordinary shares of SGD1 each. The principal activities of MEA are engineering, manufacturing, facility designing, construction management and distribution of waste disposal equipment.

The results of MISB, MEAP and MEA were consolidated into the financial statements of LIB for the period under review.

**12. Changes in contingent liabilities and assets**

There was no change in contingent liabilities and assets as at the date of this announcement.

**13. Review of performance of the Company and its principal subsidiaries**

For the quarter ended 31 March 2005, the Group recorded a loss after taxation and minority interest of RM544,000 mainly due to the effects of the high petroleum price which had rendered lower value added of the audio-visual products. In addition, the Group's investments in high tonnage injection moulding machines to penetrate into the automobile and waste management industries are expected to generate revenue in the second half of year 2005 but expenses incurred for the project had been recognised as expense and the high interest cost incurred for the period under review.

**14. Variation of results against preceding quarter**

Turnover for the quarter ended 31 March 2005 is RM1,088,000 higher compared to its immediate preceding quarter in 2004 mainly due to extra revenue from the newly acquired subsidiary, Mctronic Industries Sdn Bhd and the joint venture company, Luster Seweon Sdn Bhd.. The loss after taxation and minority interest for the quarter ended 31 March 2005 was reduced by RM1,452,000 compared to the immediate preceding quarter 2004. This is mainly due to exchange losses resulting from the translation of accounts in PT. Luster Indonesia in the preceding quarter.

**15. Current year prospects**

For financial year 2005, the Directors expect investments in high tonnage plastic injection machines will commence operation and contribute additional revenue streams to the Group.

**16. Variance of profit forecast**

Not applicable for this reporting.

**17. Tax expense**

	Current year quarter ended 31 March 2005 RM'000	Previous year quarter ended 31 March 2004 RM'000
Current taxation		
- Based on results for the period	92	151
- Prior years		
Deferred taxation	-	(500)
	<u>92</u>	<u>(349)</u>

The higher taxation rate for the quarter ended 31 March 2005 is due to current taxation provided on certain subsidiaries.

**18. Profit/(Loss) on sale of unquoted investments and/or properties for current quarter and financial year-to-date**

There was no sale of any unquoted investments and properties for the current quarter under review.

#### 19. Purchase or disposal of quoted securities

There was no material purchase or disposals of quoted shares for the period under review.

#### 20. Status of corporate proposals

There was no new corporate proposal during quarter under review and the acquisition of Mctronic Industries Sdn Bhd has been completed on 17 January 2005.

#### 21. Group borrowings and debts securities

There was no debt security for the current financial period to date.

The Group borrowings as at end of the current quarter end are as follows:

	31 March 2005 RM'000
Current Secured	24,011
Non-current Secured	31,950

The above borrowings are denominated in Ringgit Malaysia.

#### 22. Off balance sheet financial instruments

The group did not enter into any contracts involving off balance sheet financial instruments as at the date of this report.

#### 23. Changes in material litigation

The Group was not engaged in any material litigation for the current financial period to date.

#### 24. Proposed dividend

No dividend was proposed for the quarter ended 31 March 2005.

#### 25. Earnings per share

The calculation of earnings per share for the current quarter and corresponding quarter last year are based on net loss of RM544,000 and net profit of RM579,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 31-Mar-05	Unaudited Preceding year quarter ended 31-Mar-04	Unaudited Current year cumulative quarter ended 31-Mar-05	Audited Preceding year cumulative quarter ended 31-Mar-04
Issued ordinary shares at beginning of the period	61,023	60,627	61,023	60,627
Effect of ordinary shares issued	-	5	-	5
Weighted average number of ordinary shares	61,023	60,632	61,023	60,632

Diluted earning per share

Weighted average number of ordinary shares (diluted)

Description	Unaudited Current year quarter ended 31-Mar-05	Unaudited Preceding year quarter ended 31-Mar-04	Unaudited Current year cumulative quarter ended 31-Mar-05	Audited Preceding year cumulative quarter ended 31-Mar-04
Issued ordinary shares at beginning of the period	61,023	60,632	61,023	60,632
Effect of ESOS	192	4,823	192	4,823
Weighted average number of ordinary shares	61,215	65,455	61,215	65,455

**BY ORDER OF THE BOARD**

**Lam Voon Kean (MIA4793)**  
Company Secretary  
Dated this 31<sup>st</sup> day of May 2005