

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

A total of 160,000 new ordinary shares of RM1 each were allotted between 1 April 2005 and 30 June 2005 at issue prices of RM1.40 under the Employee Share Option Scheme.

7. Dividends paid

No dividend was paid for the current quarter ended 30 June 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 30 June 2005			Unaudited Preceding year quarter ended 30 June 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	30,939	161,087	16,805	33,783	125,311	3,881
Overseas	4,618	18,313	35	1,188	15,168	830
	35,557	179,400	16,840	34,971	140,479	4,711
Elimination	-	-	-	-	-	-
Consolidated	35,557	179,400	16,840	34,971	140,479	4,711

Description	Unaudited Current year cumulative quarter ended 30 June 2005			Unaudited Preceding year cumulative quarter ended 30 June 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	58,433	161,087	22,994	63,382	125,311	5,407
Overseas	5,723	18,313	160	2,151	15,168	844
	64,156	179,400	23,154	65,533	140,479	6,251
Elimination	-	-	-	-	-	-
Consolidated	64,156	179,400	23,154	65,533	140,479	6,251

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 6 April 2005, Mctronic Industries Sdn Bhd ("MISB"), an 80% owned subsidiary of Luster Industries Berhad, had acquired a wholly owned subsidiary company in Johor under the registered name of Mctronic Plastic Sdn Bhd ("MPSB"). The authorised share capital of MPSB is RM500,000 divided into 500,000 ordinary shares of RM1 each. The issued and paid up capital is RM2 divided into 2 ordinary shares of RM1 each. MPSB's principal activities are manufacturing and dealing in plastic products.

Luster Industries Berhad had on 27 April 2005 acquired a wholly owned subsidiary in British Virgin Island under the registered name of Mature Step International Ltd ("MSIL"). The authorised share capital of MSIL is USD50,000 divided into 50,000 ordinary shares of USD 1 each. The paid up share capital is USD2 divided into 2 ordinary shares of USD1 each. The intended principal activity of MSIL is investment holdings.

On 21 June 2005, MSIL had acquired a wholly owned company in Hong Kong under the registered name of Poly Link Limited ("PLL"). The authorised share capital of PLL is HKD10,000 comprising of 10,000 ordinary shares of HKD1 each and the issued and paid-up share capital is HKD10,000

comprising of 10,000 ordinary share of HKD1 each. PLL is still dormant and its intended principal activities are manufacturing and dealing in plastic products

The results of MPSB, MSIL and PLL 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

The Group recorded a profit after tax and minority interest of RM2,049,000, an increase of 25.7% compared to the corresponding quarter last year, for the quarter under review mainly due to additional profit generated from two of its subsidiary companies:

- i. Mctronic Industries Sdn Bhd, a subsidiary company acquired on 27 January 2005 to penetrate into the southern region of peninsular Malaysia, and
- ii. Luster Plastic Industries Sdn Bhd, the Group's investments in high tonnage injection moulding machines for the waste management and automobile industries.

14. Variation of results against preceding quarter

Turnover for the quarter under review was 24.3% higher than the immediate preceding quarter due to cyclical nature of business. Profit after taxation and minority interest for the quarter under review was RM2.59 million higher than the profit recorded in the 1st quarter 2005.

15. Current year prospects

The directors believe that there is no material factor that will affect the prospects or like to influence the Company's prospect for the remaining period of the financial years.

16. Variance of profit forecast

Not applicable for this reporting.

17. Tax expense

	Current year quarter ended 30 June 2005 RM'000	Previous year quarter ended 30 June 2004 RM'000
Current taxation		
- Based on results for the period	115	497
- Prior years		
Deferred taxation	-	(500)
	115	(3)

The lower taxation rate for the quarter ended 30 June 2005 is due to the availability of reinvestment allowances for the Group.

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.

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 June 2005 RM'000
Current	
Secured	<u>46,879</u>
Non-current	
Secured	<u>30,143</u>

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 30 June 2005.

The proposed final dividend of 1% less 28% income tax for the financial year ended 31 December 2004 were approved in the 18th Annual General Meeting held on 30th June 2005 and will be paid on 6th September 2005.

25. Earnings per share

The calculation of earnings per share for the current quarter and corresponding quarter last year are based on net profit of RM2,049,000 and RM1,630,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 31-June-05	Unaudited Preceding year quarter ended 31-June-04	Unaudited Current year cumulative quarter ended 31-June-05	Unaudited Preceding year cumulative quarter ended 31-June-04
Issued ordinary shares at beginning of the period	61,023	60,637	61,023	60,632
Effect of ordinary shares issued	118	307	59	154
Weighted average number of ordinary shares	61,141	60,944	61,082	60,786

Diluted earning per share

Weighted average number of ordinary shares (diluted)

Description	Unaudited Current year quarter ended 31-June-05	Unaudited Preceding year quarter ended 31-June-04	Unaudited Current year cumulative quarter ended 31-June-05	Unaudited Preceding year cumulative quarter ended 31-June-04
Issued ordinary shares at beginning of the period	61,141	60,944	61,082	60,786
Effect of ESOS	-	1,021	-	1,021
Weighted average number of ordinary shares	61,141	61,965	61,082	61,807

BY ORDER OF THE BOARD

Lam Voon Kean (MIA4793)

Company Secretary

Dated this 30th day of August 2005