

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 unaudited and in compliance with FRS 134, 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

A final dividend of 1% less 28% income tax amounting to RM440,518 for the financial year ended 31 December 2004 were paid on 6th September 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 December 2005			Unaudited Preceding year quarter ended 31 December 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	19,826	(5,166)	8,506	26,091	127,953	19,297
Overseas	5,562	5,684	68	1,420	17,270	328
	25,388	518	8,574	27,511	145,223	19,625
Elimination	-	-	-	-	-	-
Consolidated	25,388	518	8,574	27,511	145,223	19,625

Description	Unaudited Current year cumulative quarter ended 31 December 2005			Audited Preceding year cumulative quarter ended 31 December 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	127,095	181,281	36,129	126,762	131,440	17,598
Overseas	16,463	21,010	312	4,230	17,270	5,192
	143,558	202,291	36,441	130,992	148,710	22,790
Elimination	-	-	-	-	-	-
Consolidated	143,558	202,291	36,441	130,992	148,710	22,790

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

There was no change in the composition of the Group for the current quarter.

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 decline in the financial performance of the Group was attributable to the following factors: -

- i. A key customer suspended their orders in the 4th Quarter due to technical problems with their own product design. This resulted in a loss of revenue of approximately RM15 million. The Group had to absorb the relevant cost in launching the product.
- ii. The waste bin containers shipment to the Middle East was delayed for a period of 2 months due to the closure of the Port for Hari Raya Puasa festival.
- iii. The cyclical orders for the audio visual industry also decline during the 4th Quarter and this was also a contributing factor to the financial performance of the Group.

14. Variation of results against preceding quarter

The decline in the financial performance as compare to the preceding quarter was also mainly due to the same factors as explained in Note 13.

15. Current year prospects

The directors believe that there is no material factor that will affect the prospects or likely 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 31 December 2005 RM'000	Previous year quarter ended 31 December 2004 RM'000
Current taxation		
- Based on results for the period	(132)	(613)
- Prior years	-	-
Deferred taxation	1,294	1,175
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	1,162	562

The lower taxation rate for the quarter ended 31 December 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 December 2005 RM'000
Current Secured	<u>57,777</u>
Non-current Secured	<u>30,701</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 31 December 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 RM3,834,000 and RM1,996,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 31-Dec-05	Unaudited Preceding year quarter ended 31-Dec-04	Unaudited Current year cumulative quarter ended 31-Dec-05	Audited Preceding year cumulative quarter ended 31-Dec-04
Issued ordinary shares at beginning of the period	61,183	60,981	61,023	60,627
Effect of ordinary shares issued	-	26	110	253
Weighted average number of ordinary shares	61,183	61,007	61,133	60,880

Diluted earning per share

Weighted average number of ordinary shares (diluted)

Description	Unaudited Current year quarter ended 31-Dec-05	Unaudited Preceding year quarter ended 31-Dec-04	Unaudited Current year cumulative quarter ended 31-Dec-05	Audited Preceding year cumulative quarter ended 31-Dec-04
Issued ordinary shares at beginning of the period	61,183	61,007	61,133	60,880
Effect of ESOS	-	758	-	758
Weighted average number of ordinary shares	61,183	61,765	61,133	61,638

BY ORDER OF THE BOARD

Lam Voon Kean (MIA4793)

Company Secretary

Dated this 28th day of February 2006