

**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 un-audited 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 2005.

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 2005.

**2. Changes in accounting policies**

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company.

With effect from 1 January 2006, in order to comply with FRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity. However, fair value recognition will only be done only if an employee became entitled to the options and met vesting conditions.

In view of fair value of shares (using market value as basis) was lower than offered price as at 31 March 2006, the Group need not posted such recognition.

**3. FRS117 – Leases**

The group has not opted for early adoption the above FRS, where lease payments shall be treated as Prepayment in the account upon adoption. The above FRS will only take effect from 1 October 2006.

**4. Auditors' qualification**

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

**5. Seasonality or cyclical factors**

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

**6. Exceptional and extraordinary items**

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

**7. Change in estimates**

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

#### 8. Change in debt and equity securities

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

#### 9. Dividends paid

No dividend was paid for the current quarter ended 30 June 2006.

#### 10. Segment revenue and results

The Company's primary format for reporting segment information is business segments. Revenue from external customers represents the sales value of goods supplied to customers, rental income, income from mould modifications and sub-contracted fees.

	Contract manufacturing		Waste management		Trading		Bulk Packaging		Inter-segment elimination		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	57,956	54,148	12,725	3,509	5,685	6,499	3,245	-	-	-	79,611	64,156
Inter-segment revenue	3,255	7,416	-	-	195	251	-	-	(3,450)	(7,667)	-	-
<b>Total</b>	<b>61,211</b>	<b>61,564</b>	<b>12,725</b>	<b>3,509</b>	<b>5,880</b>	<b>6,750</b>	<b>3,245</b>	<b>-</b>	<b>(3,450)</b>	<b>(7,667)</b>	<b>79,611</b>	<b>64,156</b>
Segment results	(1,211)	1,333	465	55	55	153	(108)	-	-	-	(799)	1,541

#### 11. 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.

#### 12. Material post balance sheet events

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

#### 13. Changes in Group's composition

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

#### 14. Changes in contingent liabilities and assets

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

#### 15. Review of performance of the Company and its principal subsidiaries

For the quarter ended 30 June 2006, the Group recorded a profit after tax of RM382,000 on a turnover of RM47,649,000 mainly due to higher production and sales volume during the quarter.

#### 16. Variation of results against preceding quarter

Turnover for the quarter ended 30 June 2006 was RM47,649,000 an increase of approximately RM15,687,000 against preceding quarter mainly due to the increase in production and sales volume during the quarter under review.

**17. Current year prospects**

For financial year 2006, the Directors expect investments in high tonnage plastic injection machines and waste management will contribute favourably to the group revenue.

**18. Variance of profit forecast**

Not applicable for this reporting.

**19. Tax expense**

	Current year quarter ended 30 June 2006 RM'000	Previous year quarter ended 30 June 2005 RM'000
Current taxation		
- Based on results for the period	83	115
- Prior years	-	-
Deferred taxation	-	-
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	83	115
	<hr/>	<hr/>

**20. 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.

**21. Purchase or disposal of quoted securities**

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

**22. Status of corporate proposals**

There was no new corporate proposal during quarter under review.

**23. 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:

	30 June 2006 RM'000
Current	
Secured	<hr/>
	60,344
Non-current	
Secured	<hr/>
	33,427

The above borrowings are denominated in Ringgit Malaysia.

**24. 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.

## 25. Changes in material litigation

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

## 26. Proposed dividend

No dividend was proposed for the quarter ended 30 June 2006.

## 27. Earnings per share

The calculation of earnings per share for the current quarter and corresponding quarter last year are based on net profit after taxation and attributable to shareholders of the company of RM754,000 and RM2,049,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 30 June 2006	Unaudited Preceding year quarter ended 30 June 2005	Unaudited Current year cumulative quarter ended 30 June 2006	Audited Preceding year cumulative quarter ended 30 June 2005
Issued ordinary shares at beginning of the period	61,183	61,023	61,183	61,023
Effect of ordinary shares issued	-	118	-	59
Weighted average number of ordinary shares	61,183	61,141	61,183	61,082

Diluted earning per share

Weighted average number of ordinary shares (diluted)

Description	Unaudited Current year quarter ended 30 June 2006	Unaudited Preceding year quarter ended 30 June 2005	Unaudited Current year cumulative quarter ended 30 June 2006	Audited Preceding year cumulative quarter ended 30 June 2005
Issued ordinary shares at beginning of the period	61,183	61,141	61,183	61,082
Effect of ESOS	-	-	-	-
Weighted average number of ordinary shares	61,183	61,141	61,183	61,082

**BY ORDER OF THE BOARD**

**Lam Voon Kean (MIA4793)**

Company Secretary

Dated this 30th day of August 2006