

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 September 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	81,622	86,924	27,424	20,706	7,276	10,540	5,099	-	-	-	121,421	118,170
Inter-segment revenue	10,492	9,503	-	-	1,936	-	-	-	(12,428)	(9,503)	-	-
Total	92,114	96,427	27,424	20,706	9,212	10,540	5,099	-	(12,428)		121,421	118,170
Segment results	(1,859)	629	1,440	2,316	94	184	(112)	-	-	-	(437)	3,129

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 September 2006, the Group recorded a profit after tax of RM361,000 on a turnover of RM41,811,000 mainly due to increase in orders and projects obtained from the Waste Management business segment.

16. Variation of results against preceding quarter

There was a slight improvement in the result of the current quarter under review against the preceding year quarter. Profit before taxation for the current quarter under review was RM643,000 against RM465,000 for the preceding quarter. Lower administrative and distribution costs were the major contributor to the profit improvement.

17. Current year prospects

For financial year 2006, the Directors expect investments in the waste management and bulk packaging business segment 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 September 2006 RM'000	Previous year quarter ended 30 September 2005 RM'000
Current taxation		
- Based on results for the period	281	55
- Prior years	-	-
Deferred taxation	-	-
	<hr/>	<hr/>
	281	55
	<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 September 2006 RM'000
Current	
Secured	<hr/> 66,502
Non-current	
Secured	<hr/> 28,732

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 September 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 after minority interest of RM481,000 and net profit after taxation and minority interest of RM1,760,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 30 September 2006	Unaudited Preceding year quarter ended 30 September 2005	Unaudited Current year cumulative quarter ended 30 September 2006	Unaudited Preceding year cumulative quarter ended 30 September 2005
Issued ordinary shares at beginning of the period	61,183	61,183	61,183	61,122
Effect of ordinary shares issued	-	-	-	-
Weighted average number of ordinary shares	61,183	61,183	61,183	61,122

Diluted earning per share

Weighted average number of ordinary shares (diluted)

Description	Unaudited Current year quarter ended 30 September 2006	Unaudited Preceding year quarter ended 30 September 2005	Unaudited Current year cumulative quarter ended 30 September 2006	Unaudited Preceding year cumulative quarter ended 30 September 2005
Issued ordinary shares at beginning of the period	61,183	61,183	61,183	61,122
Effect of ESOS	-	-	-	-
Weighted average number of ordinary shares	61,183	61,183	61,183	61,122

BY ORDER OF THE BOARD

Lam Voon Kean (MIA4793)

Company Secretary

Dated this 30th day of November 2006