

**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 2006.

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 2006.

**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 2007, the Group need not posted such recognition.

With the adoption of FRS 117, leasehold land previously included within property, plant and equipment, is reclassified as prepaid lease payments in a separate asset category on the balance sheet. The reclassification of prepaid lease payments in the consolidated balance sheet for the comparative period has been restated accordingly.

**3. Auditors' qualification**

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

**4. Seasonality or cyclicity factors**

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

**5. Exceptional and extraordinary items**

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

**6. Change in estimates**

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

## 7. Change in debt and equity securities

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

## 8. Dividends paid

No dividend was paid for the current quarter ended 31 March 2007.

## 9. 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, and income from mould modifications and sub-contracted fees.

|                                 | Contract manufacturing |               | Waste management |              | Trading      |              | Bulk Packaging |          | Inter-segment elimination |                | Consolidated  |               |
|---------------------------------|------------------------|---------------|------------------|--------------|--------------|--------------|----------------|----------|---------------------------|----------------|---------------|---------------|
|                                 | 2007                   | 2006          | 2007             | 2006         | 2007         | 2006         | 2007           | 2006     | 2007                      | 2006           | 2007          | 2006          |
|                                 | 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 | 20,558                 | 25,681        | 6,905            | 3,680        | 2,531        | 2,601        | 2,249          | -        |                           |                | 32,243        | 31,962        |
| Inter-segment revenue           | 1,065                  | 1,626         | 3,578            | -            | 171          | 398          | 2              | -        | (4,816)                   | (2,024)        | -             | -             |
| <b>Total</b>                    | <b>21,623</b>          | <b>27,307</b> | <b>10,483</b>    | <b>3,680</b> | <b>2,702</b> | <b>2,999</b> | <b>2,251</b>   | <b>-</b> | <b>(4,816)</b>            | <b>(2,024)</b> | <b>32,243</b> | <b>31,962</b> |
| Segment results                 | 512                    | 290           | (35)             | (302)        | 12           | 106          | (676)          | -        | -                         | -              | (187)         | 94            |

## 10. 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.

## 11. Material post balance sheet events

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

## 12. Changes in Group's composition

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

## 13. Changes in contingent liabilities and assets

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

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

For the quarter ended 31 March 2007, the Group recorded a loss after taxation of RM1,777,000 mainly due to cyclical nature of the business involved.

## 15. Variation of results against preceding quarter

Turnover for the quarter ended 31 March 2007 was RM32,244,000, reduction of RM15,141,000 compared to its immediate preceding quarter in 2006. The group recorded a lower loss of RM1,777,000 compared to loss of RM5,291,000 in the immediate preceding quarter. The higher preceding quarter loss had included impairment of assets valued at RM3.5 million during financial year 2006.

## 16. Current year prospects

The contract manufacturing division will undergo further consolidation exercise in order to stay competitive in the market. The Directors expect contract manufacturing to stabilise at the end of the financial year as Toshiba Corporation has given written confirmation appointing Mctronic Industries Sdn. Bhd. as one of their OEM supplier. Mass production is expected to commence in August 2007.

## 17. Variance of profit forecast

Not applicable for this reporting.

## 18. Tax expense

|                                   | Current year<br>quarter ended<br>31 March 2007<br>RM'000 | Previous year<br>quarter ended<br>31 March 2006<br>RM'000 |
|-----------------------------------|--|---|
| Current taxation                  |  |   |
| - Based on results for the period | 150  | 19  |
| - Prior years                     | -  | -   |
| Deferred taxation                 | -  | -   |
|                                   | <u>150</u>   | <u>19</u>   |

The lower taxation for the quarter ended 31 March 2007 was due to some sectors yet to bring favourable outcome to the group.

## 19. 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.

## 20. Purchase or disposal of quoted securities

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

## 21. Status of corporate proposals

There was no new corporate proposal during quarter under review.

## 22. 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 2007<br>RM'000 |
|------------------------|-------------------------|
| Current<br>Secured     | <u>64,199</u>           |
| Non-current<br>Secured | <u>27,876</u>           |

The above borrowings are denominated in Ringgit Malaysia.

### 23. 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.

### 24. Changes in material litigation

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

### 25. Proposed dividend

No dividend was proposed for the quarter ended 31 March 2007.

### 26. Earnings per share

The calculation of earnings per share for the current quarter and corresponding quarter last year are based on net loss after taxation and after minority interest of RM1,777,000 and RM1,181,000 respectively.

Basic earnings per share

Weighted average number of ordinary shares

| Description  | Unaudited<br>Current year quarter<br>ended<br>31-Mar-07 | Unaudited<br>Preceding year<br>quarter ended<br>31-Mar-06 | Unaudited<br>Current year<br>cumulative quarter<br>ended<br>31-Mar-07 | Unaudited<br>Preceding year<br>cumulative quarter<br>ended<br>31-Mar-06 |
|--|---|---|---|---|
| Issued ordinary shares<br>at beginning of the period | 61,183  | 61,183  | 61,183  | 61,183  |
| Effect of ordinary shares<br>issued                  | -   | -   | -   | -   |
| Weighted average number<br>of ordinary shares        | 61,183  | 61,183  | 61,183  | 61,183  |

Diluted earning per share

Weighted average number of ordinary shares (diluted)

| Description  | Unaudited<br>Current year quarter<br>ended<br>31-Mar-07 | Unaudited<br>Preceding year<br>quarter ended<br>31-Mar-06 | Unaudited<br>Current year<br>cumulative quarter<br>ended<br>31-Mar-07 | Audited<br>Preceding year<br>cumulative quarter<br>ended<br>31-Mar-06 |
|--|---|---|---|---|
| Issued ordinary shares<br>at beginning of the period | 61,183  | 61,183  | 61,183  | 61,183  |
| Effect of ESOS                                       | -   | -   | -   | -   |
| Weighted average number<br>of ordinary shares        | 61,183  | 61,183  | 61,183  | 61,183  |

**BY ORDER OF THE BOARD**

**Lam Voon Kean (MIA4793)**

Company Secretary

Dated this 31<sup>st</sup> day of May 2007