

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 30 June 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 30 June 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	47,422	57,956	13,494	12,725	4,131	5,685	4,688	3,245			69,735	79,611
Inter-segment revenue	3,539	3,255	4,943	-	2,012	195	3	-	(10,497)	(3,450)	-	-
Total	50,961	61,211	18,437	12,725	6,143	5,880	4,691	3,245	(10,565)	(3,518)	69,735	79,611
Segment results (Profit after taxation)	(2,422)	(1,211)	(580)	465	135	55	(1,140)	(108)	63	-	(3,944)	(799)

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 period ended 30 June 2007, the Group recorded a loss after taxation of RM3.944 million mainly due to the delay in the launching of main models from the contract manufacturing division. The launching was held back to accommodate the new software systems for the main models.

15. Variation of results against preceding quarter

There is no substantial variation on the results against preceding quarter for the reason as disclosed in note 14.

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 confirmed the production schedule to Mctronic Industries Sdn Bhd to commence production in September 2007.

The Directors also expect the new venture into civil work construction will bring in a new stream of revenue. The projects in hand are the as follows: -

Projects	Value (RM' Million)
“Projek Rangkaian Tempatan Telekom Malaysia Berhad secara sistem Jadual Kadar Harga”.	2.5
“Projek Menaiktaraf Laluan B9/FT015 dari Lapangan Terbang Subang ke Hospital Sungai Buloh, Selangor”.	269.5
Total	272.0

17. Variance of profit forecast

Not applicable for this reporting.

18. Tax expense

	Current year quarter ended 30 June 2007 RM'000	Previous year quarter ended 30 June 2006 RM'000
Current taxation		
- Based on results for the period	362	83
- Prior years	-	-
Deferred taxation	-	-
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	362	83

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:

	30 June 2007 RM'000
Current Secured	<u>64,369</u>
Non-current Secured	<u>27,415</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 30 June 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 RM1.796 million and a net profit after taxation and after minority of RM0.382 million respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 30-Jun-07	Unaudited Preceding year quarter ended 30-Jun-06	Unaudited Current year cumulative quarter ended 30-Jun-07	Unaudited Preceding year cumulative quarter ended 30-Jun-06
Issued ordinary shares at beginning of the period	61,183	61,183	61,183	61,183
Effect of ordinary shares Issued	-	-	-	-
Weighted average number of ordinary shares	61,183	61,183	61,183	61,183

Diluted earning per share

Weighted average number of ordinary shares (diluted)

Description	Unaudited Current year quarter ended 30-Jun-07	Unaudited Preceding year quarter ended 30-Jun-06	Unaudited Current year cumulative quarter ended 30-Jun-07	Audited Preceding year cumulative quarter ended 30-Jun-06
Issued ordinary shares at beginning of the period	61,183	61,183	61,183	61,183
Effect of ESOS	-	-	-	-
Weighted average number of ordinary shares	61,183	61,183	61,183	61,183

BY ORDER OF THE BOARD

Lam Voon Kean (MIA4793)

Company Secretary

Dated this 30th day of August 2007