

LUSTER INDUSTRIES BHD
(Company No. 156148-P)
(Incorporated in Malaysia)
and its subsidiaries

Condensed consolidated balance sheet

| | Note | Unaudited as at 31-Mar-08 RM'000 | Audited as at 31-Dec-07 RM'000 |
|--|------|---|---|
| Assets | | | |
| Property, plant & equipment | | 72,228 | 73,446 |
| Prepaid lease payment | | 5,467 | 5,494 |
| Intangible Assets | | 10,855 | 10,855 |
| Total non-current assets | | <u>88,550</u> | <u>89,795</u> |
| Current assets | | | |
| Inventories | | 26,897 | 23,571 |
| Trade and other receivables | | 38,271 | 42,794 |
| Tax refundable | | 3,437 | 4,533 |
| Cash and cash equivalents | | 1,600 | 5,751 |
| Total current assets | | <u>70,205</u> | <u>76,649</u> |
| Total assets | | <u>158,755</u> | <u>166,444</u> |
| Equity | | | |
| Share capital | | 61,183 | 61,183 |
| Reserves | | (37,307) | (35,991) |
| Total equity attributable to shareholders of the Company | | 23,876 | 25,192 |
| Minority interests | | 1,803 | 1,972 |
| Total equity | | <u>25,679</u> | <u>27,164</u> |
| Liabilities | | | |
| Interest bearing borrowings | | 22,387 | 23,545 |
| Other Payables | | 7,524 | 7,502 |
| Deferred tax liabilities | | 3,617 | 3,617 |
| Total non-current liabilities | | <u>33,528</u> | <u>34,664</u> |
| Trade and other payables | | 36,292 | 38,342 |
| Borrowings | | 62,548 | 65,488 |
| Taxation | | 708 | 786 |
| Total current liabilities | | <u>99,548</u> | <u>104,616</u> |
| Total liabilities | | 133,076 | 139,280 |
| Total equity and liabilities | | <u>158,755</u> | <u>166,444</u> |
| Net Asset per share (RM) | | 0.39 | 0.41 |

The notes set out on page 5 to 9 form an integral part of and should be read in conjunction with this interim financial report.

LUSTER INDUSTRIES BHD
(Company No. 156148-P)
(Incorporated in Malaysia)
and its subsidiaries

Condensed consolidated income statement

| | Unaudited current year quarter ended 31-Mar-08 RM'000 | Unaudited preceding year quarter ended 31-Mar-07 RM'000 | Unaudited current year ended 31-Mar-08 RM'000 | Unaudited preceding year ended 31-Mar-07 RM'000 |
|--|--|--|--|--|
| Revenue | 41,636 | 32,244 | 41,636 | 32,244 |
| Cost of sales | (37,175) | (26,417) | (37,175) | (26,417) |
| Gross profit | <u>4,461</u> | <u>5,827</u> | <u>4,461</u> | <u>5,827</u> |
| Other income | 78 | (641) | 78 | (641) |
| Distribution expenses | (661) | (1,105) | (661) | (1,105) |
| Administration expenses | (3,972) | (4,268) | (3,972) | (4,268) |
| Other expenses | - | - | - | - |
| Profit from operations | <u>(94)</u> | <u>(187)</u> | <u>(94)</u> | <u>(187)</u> |
| Share of profit after tax and minority interest and associate | - | - | - | - |
| Share of profit after tax of jointly controlled entity | - | - | - | - |
| Pre-acquisition profit | - | - | - | - |
| Impairment loss | - | - | - | - |
| Finance costs | (1,237) | (1,440) | (1,237) | (1,440) |
| Profit/(Loss) before tax | <u>(1,331)</u> | <u>(1,627)</u> | <u>(1,331)</u> | <u>(1,627)</u> |
| Income tax expense | (37) | (150) | (37) | (150) |
| Profit/(Loss) for the period | <u><u>(1,368)</u></u> | <u><u>(1,777)</u></u> | <u><u>(1,368)</u></u> | <u><u>(1,777)</u></u> |
| Attributable to : | | | | |
| Shareholders of the company | (1,199) | (1,902) | (1,199) | (1,902) |
| Minority interests | (169) | 125 | (169) | 125 |
| Profit/(Loss) for the period | <u><u>(1,368)</u></u> | <u><u>(1,777)</u></u> | <u><u>(1,368)</u></u> | <u><u>(1,777)</u></u> |
| Basic earnings per ordinary shares (sen) | <u>(1.96)</u> | <u>(3.11)</u> | <u>(1.96)</u> | <u>(3.11)</u> |
| Diluted earnings per ordinary shares (sen) | <u>(1.96)</u> | <u>(3.11)</u> | <u>(1.96)</u> | <u>(3.11)</u> |

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LUSTER INDUSTRIES BHD
(Company No. 156148-P)
(Incorporated in Malaysia)
and its subsidiaries

Condensed unaudited consolidated statement of changes in equity for the year ended 31 March 2008

| | Share Capital | Non-Distributable Share Premium | Exchange Reserve | Retained Profits | Total | Minority interest | Total equity |
|--|------------------|---------------------------------------|---------------------|---------------------|---------------|----------------------|-----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| As at 1 January 2008 | 61,183 | 2,337 | 22 | (38,351) | 25,191 | 1,972 | 27,163 |
| Exchange difference on translation of : | | | | | | | |
| - financial statement of oversea subsidiaries | - | - | (116) | - | (116) | - | (116) |
| - related borrowings | - | - | - | - | - | - | - |
| Net gain recognised directly in equity | 61,183 | 2,337 | (94) | (38,351) | 25,075 | 1,972 | 27,047 |
| Profit for the period | - | - | - | (1,199) | (1,199) | (169) | (1,368) |
| Total recognised income and expense for the period | 61,183 | 2,337 | (94) | (39,550) | 23,876 | 1,803 | 25,679 |
| Dividends approved in respect of previous year | - | - | - | - | - | - | - |
| As at 31 March 2008 | 61,183 | 2,337 | (94) | (39,550) | 23,876 | 1,803 | 25,679 |

The notes set out on page 5 to 9 form an integral part of and should be read in conjunction with this interim financial report.

LUSTER INDUSTRIES BHD
 (Company No. 156148-P)
 (Incorporated in Malaysia)
and its subsidiaries

Condensed consolidated cash flow statement

| | Unaudited current quarter ended 31-Mar-08 RM'000 | Unaudited preceding quarter ended 31-Mar-07 RM'000 |
|---|---|---|
| Net cash from operating activities | 1,297 | 976 |
| Net cash used in investing activities | (704) | (2,151) |
| Net cash used in financing activities | (4,097) | 478 |
| Net decrease in cash & cash equivalent | <u>(3,504)</u> | <u>(697)</u> |
| Cash & cash equivalent as at 1 January | 5,107 | (6,885) |
| Effect of foreign exchange rate changes | (3) | (70) |
| Cash & cash equivalents as at 31 March 2008 | <u><u>1,600</u></u> | <u><u>(7,652)</u></u> |

The notes set out on page 5 to 9 form an integral part of and should be read in conjunction with this interim financial reports.

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 2007.

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 2007.

2. Changes in accounting policies

The MASB has also issued the following FRSs that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing the financial statements for 31 December 2007:

FRS 107, Cash Flow Statements

FRS 111, Construction Contracts

FRS 112, Income Taxes

FRS 118, Revenue

FRS 120, Accounting for Government Grants and Disclosure of Government Assistance

Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

FRS 134, Interim Financial Reporting

FRS 137, Provisions, Contingent Liabilities And Contingent Assets

The Group and the Company plan to apply the rest of the abovementioned FRSs for the annual period beginning 1 January 2008, where applicable, except for FRS 139, Financial Instruments: Recognition and Measurement which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs are not expected to have any material impact on the financial statements of the Group and of the Company.

3. Auditors' qualification

The audited report of the preceding annual financial statements of Luster Industries Bhd contained emphasis of matter on the uncertainties over its ability to continue as a going concern.

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 2008.

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 | |
|---------------------------------|------------------------|---------------|------------------|---------------|--------------|--------------|----------------|--------------|---------------------------|----------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | 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 | 31,709 | 20,558 | 3,291 | 6,905 | 2,090 | 2,531 | 4,546 | 2,249 | | | 41,636 | 32,243 |
| Inter-segment revenue | 2,204 | 1,065 | 1,100 | 3,578 | 429 | 171 | - | 2 | (3,733) | (4,816) | - | - |
| Total | 33,913 | 21,623 | 4,391 | 10,483 | 2,519 | 2,702 | 4,546 | 2,251 | (3,733) | (4,816) | 41,636 | 32,243 |
| Operating profit | 459 | 512 | (978) | (35) | (74) | 12 | 499 | (676) | - | - | (94) | (187) |

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

On 28 March 2008, Luster Precision Engineering Sdn Bhd ("LPESB"), a wholly owned subsidiary of Luster Industries Bhd ("LIB"), entered into a Sales & Purchase Agreement to dispose the entire 60% shareholding in MY Flexitank Industries Sdn Bhd ("MYF") to MYF Bulk Pack Sdn Bhd ("MBP") (formerly known as Cortainer Products Sdn Bhd) for a cash consideration of Ringgit Malaysia Three Hundred Twenty Nine Thousand Five Hundred Sixty One only (RM329,561.00) ("the Purchase Price") to be settled within 6 months period from the date of the Sales & Purchase Agreement.

Other than the above, 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

The Group has recorded a lower loss after taxation of RM1.4 million as compared to RM1.8 million in the corresponding quarter last year. Measures taken to address the adverse financial performance last year has seen improvement and managed to contain further deterioration of the financial performance. Overall, the Group has managed to record net revenue of RM41.6 million as compared to RM32.2 million in the corresponding quarter last year.

15. Variation of results against preceding quarter

Turnover for the quarter ended 31 March 2008 was RM41.6 million as compared to RM62.5 million in the 4th Quarter 2008 last year. Lower revenue recorded is mainly due to seasonal factor in demand at the beginning of the year. The group recorded a lower loss of RM1.4 million as compared to a loss of RM21.1 million in the immediate preceding quarter. The higher preceding quarter loss had included impairment of assets and bad debts written off. Operational loss has reduced from RM1.8 million in the preceding quarter to RM0.094 million mainly due to the cost and margin improvement measures taken.

16. Current year prospects

The Board of Directors is fully aware of the Company's and Group's adverse financial performance in financial year 2007 arising mainly from impairment losses and operating loss for the financial year ended on that date. Taking cognizance of this fact, the Board of Directors has been proactive in taking corrective measures to arrest the deterioration of the financial condition of the Company and the Group from the beginning of this financial year 2008. Some of the corrective measures taken and implemented and/or in the process of being implemented are:

- Cost reduction programme including downsizing of operations and employees, and streamlining of activities by consolidating certain manufacturing activities into one subsidiary thereby eliminating duplication of processes and optimizing the use of resources
- Revamp business strategy by focusing on higher profit margin products
- Disposal of non performing assets thereby improving the working capital position
- Initiate negotiations with the Company's and Group's bankers to reschedule the terms of payments so as to improve the working capital position

The Environment Service Provider division was hit by high materials cost due to the increase of oil and steel price. This division recorded a turnover of RM3.3 million in the current quarter under review as compared to RM6.9 million in the corresponding quarter last year, a drop of approximately 52%. The Board of Directors has taken steps to improve the profitability of this division by adopting a strategy to form an alliance with an established European company in this field in order to expand the products range and market coverage and technical capability. Currently the Company is negotiating with a few European parties and has identified a potential key party.

Barring any unforeseen circumstances, the Board of Directors is optimistic that with the above measures taken, it will be able to contribute positively to the bottom line and liquidity of the Group.

17. Variance of profit forecast

Not applicable for this reporting.

18. Tax expense

| | Current year quarter ended 31 March 2008 RM'000 | Previous year quarter ended 31 March 2007 RM'000 |
|-----------------------------------|--|---|
| Current taxation | | |
| - Based on results for the period | 37 | 150 |
| - Prior years | - | - |
| Deferred taxation | - | - |
| | <u>37</u> | <u>150</u> |

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 2008 RM'000 |
|-------------|-------------------------|
| Current | |
| Secured | <u>62,548</u> |
| Non-current | |
| Secured | <u>22,387</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 2008.

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 RM1.2 million and RM1.9 million respectively.

Basic earnings per share

Weighted average number of ordinary shares

| Description | Unaudited Current year quarter ended 31-Mar-08 | Unaudited Preceding year quarter ended 31-Mar-07 | Unaudited Current year cumulative quarter ended 31-Mar-08 | Unaudited Preceding year cumulative quarter ended 31-Mar-07 |
|--|---|---|---|---|
| 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 31-Mar-08 | Unaudited Preceding year quarter ended 31-Mar-07 | Unaudited Current year cumulative quarter ended 31-Mar-08 | Audited Preceding year cumulative quarter ended 31-Mar-07 |
|--|---|---|---|---|
| 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 May 2008