

**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 take effect on 1 January 2010.

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 December 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	144,973	138,189	11,625	17,818	1,937	8,157	16,264	13,125	-	-	174,799	177,289
Inter-segment revenue	8,242	19,333	1,929	8,139	429	3,421	-	-	(10,600)	(30,893)	-	-
<b>Total</b>	<b>153,215</b>	<b>157,522</b>	<b>13,554</b>	<b>25,957</b>	<b>2,366</b>	<b>11,578</b>	<b>16,264</b>	<b>13,125</b>	<b>(10,600)</b>	<b>(30,893)</b>	<b>174,799</b>	<b>177,289</b>
PAT	(9,868)	(32,099)	(8,689)	(12,410)	(1,047)	105	284	(347)			(19,320)	(44,751)

#### 10. Revaluation of property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation.

There was an impairment loss of RM2.8 million provided on the land & factory building of the Group 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. The settlement has been extended to February 2009.

On 19 September 2008, Millennium Environment (Asia Pacific) Pte Ltd (“MIL”), a wholly owned subsidiary of Luster Manufacturing Sdn Bhd (“LMSB”) which is a wholly owned subsidiary of LIB, entered into a Sales & Purchase Agreement to dispose the entire 100% shareholding in MEA Environment (Asia Pacific) Pte Ltd (“MEA”) to Otto Holding Asia Pacific Pte Ltd (“OHAP”) for a cash consideration of Singapore Dollar One only (SGD1.00) (“the Purchase Price”) to be settled upon completion of the SPA.

LIB had also deregistered Luster International Pte Ltd and Luster (HK) Ltd.

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 net revenue of RM174.8 million for the current year-to-date period ended 31 December 2008 a drop of 1.4% as compare to the last corresponding period. Measures taken to address the adverse financial performance last year has seen improvement and managed to contain further deterioration of the financial performance whereby the Group has managed to record profit from operation of RM2.0 million as compare to a loss of RM23.2 million. During the period, the Group has written-off goodwill on consolidation from the acquisition of Mctronic Industries Sdn Bhd of RM9.0 million. An impairment loss on the land and factory building and the inventories of the Group of RM2.8 million and RM1.6 million respectively has also been provided. This has resulted in a loss after taxation of RM19.3 million for the current year to-date. In comparison to financial year 2007, the Group has recorded an improvement of approximately 56.8% on the bottom line.

**15. Variation of results against preceding quarter**

Turnover for the current year quarter ended 31 December 2008 was RM38.6 million as compared to immediate preceding quarter of RM46.0 million. The group recorded loss after taxation of RM17.6 million as compared to a profit after taxation of RM0.48 million in the immediate preceding quarter mainly due to the impairment loss and goodwill written-off amounting to RM13.4 million.

**16. Current year prospects**

With the current global financial crisis, the business environment in the near future will be very competitive and challenging. Global demand will drop especially from the US market. However, barring any unforeseen circumstances, the Board of Directors is of the opinion that with the measures taken and the strategies put in place to expand and enhance the competitiveness of the company together with the support of the banks and creditors, it will be able to weather through these challenges.

**17. Variance of profit forecast**

Not applicable for this reporting.

**18. Tax expense**

	Current year quarter ended 31 Dec 2008 RM'000	Previous year quarter ended 31 Dec 2007 RM'000
Current taxation		
- Based on results for the period	(936)	3,552
- Prior years	-	-
Deferred taxation	-	-
	<u>(936)</u>	<u>3,552</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**

The Company is now in the advanced stage of negotiation with its financial creditors on the proposed debt settlement which forms part of the Company's proposed regularisation plan.

The Company has been granted an extension of time until 1 April 2009 by Bursa Securities to submit its regularisation plan and pursuant thereto the Company has commenced the preparation of the submission documents to the relevant authorities and any further development will be announced in due course.

**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 Dec 2008 RM'000
Current	58,396
Non-current	<u>24,264</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 December 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 RM17.5 million and net loss after taxation and after minority interest of RM21.6 million respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 31-Dec-08	Unaudited Preceding year quarter ended 31-Dec-07	Unaudited Current year cumulative quarter ended 31-Dec-08	Unaudited Preceding year cumulative quarter ended 31-Dec-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-Dec-08	Unaudited Preceding year quarter ended 31-Dec-07	Unaudited Current year cumulative quarter ended 31-Dec-08	Audited Preceding year cumulative quarter ended 31-Dec-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 27th day of February 2009