

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 2008.

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 2008.

2. Changes in accounting policies

The Company adopted the following new and revised FRSs and IC Interpretations during the financial year ended (“FYE”) 31 December 2008: -

FRS 107, Cash Flow Statements

*FRS111, Construction Contracts

FRS 112, Income Taxes

FRS 118, Revenue

*FRS120, Accounting for Government Grants and Disclosure of Government Assistance

Amendment to FRS121, 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

*IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities.

*IC Interpretation 2, Members’ Shares in Co-operative Entities and Similar Instruments.

*IC Interpretation 5, Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

*IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

*IC Interpretation 7, Applying the Restatement Approach under FRS129²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies

IC Interpretation 8, Scope of FRS 2

The Group and the Company have not early adopted the following FRSs and IC Interpretations which are effective for financial periods beginning on or after 1 July 2009 and 1 January 2010.

Mandatory for financial period beginning on or after 1 July 2009:

FRS 8 Operating Segments

Mandatory for financial period beginning on or after 1 January 2010

*FRS4 Insurance Contracts

FRS7 Financial Instruments: Disclosures

FRS139 Financial Instruments: Recognition and Measurement

*IC Interpretation 9 Reassessment of Embedded Derivatives

IC Interpretation 10 Interim Financial Reporting and Impairment

** Not applicable to the Group and to the Company*

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 disclaimer of opinion on the uncertainties over its ability to continue as a going concern and the consolidation of Mctronic Industries Sdn Bhd was based on its draft audited financial statements which have yet to be approved by MISB's directors as of the date of the Independent Auditors' report.

4. Seasonality or cyclical 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 2009.

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.

Please refer to Appendix 1.

10. Revaluation of property, plant and equipment

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

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 May 2009 Luster Industries Bhd ("LIB") entered into a conditional share transfer agreement ("STA") with Tan Meng Chai and Cherng Chooi Lian ("Transferees") for the disposal of its entire equity interest in Mctronic Industries Sdn Bhd ("MISB"), comprising 1,280,000 ordinary shares of RM1.00 each in MISB ("Said Shares"), representing 80% of the equity interest in MISB for a cash consideration of RM6,355,073 ("Consideration"). Separate announcement will be made on 29 May 2009.

Securities Commission has approved the above disposal.

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

Turnover for the current quarter ended 30 June 2009 was RM10.5 million as compared to corresponding quarter in 2008 of RM48.6 million. This is mainly due to revenue from both MY Flexitank Industries Sdn Bhd ("MYF"), a 60% owned subsidiary and Mctronic Group (Mctronic Industries Sdn Bhd and Mctronic Plastic Sdn Bhd), a 80% owned subsidiary was not recognised for the current period under review. The group recorded loss after taxation of RM2.1 million as compared to a loss after taxation of RM0.8 million in the corresponding quarter in 2008.

15. Variation of results against preceding quarter

The Group revenue had increased by approximately 45.8% from RM7.2 million in the preceding quarter to RM10.5 million in current quarter under review. This is mainly due to the increase order from the existing customers which are seasonal. However, the Group has recorded a higher loss after taxation of RM2.1 million as compared to RM0.7 million in the preceding period mainly due to the revaluation of closing stocks at a lower value as compared to the preceding period. Besides that, the strengthening of Ringgit Malaysia also reversed the gain from foreign exchange in the previous quarter.

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. Discontinued operation and disposal group classified as held for sale

Major classes of assets and liabilities of disposal operation classified as held for sale on the consolidated balance sheet as at 30 June 2009 are as follows:

	Carrying Amount as at 30 Jun 2009		
	MYF#	MISB Group*	Total
	RM'000	RM'000	RM'000
Assets			
Property, plant and equipment	888	20,144	21,032
Intangible assets	1,595	-	1,595
Inventories	2,094	4,126	6,220
Trade and other receivables	4,324	13,032	17,356
Tax recoverable	73	-	73
Cash and bank balances	434	3,710	4,144
Assets of disposal group classified as held for sale	9,408	40,179	50,420
Liabilities			
Trade and other payables	6,412	17,048	23,460
Provision for taxation	-	1,085	1,085
Borrowings	2,447	13,769	16,216
Deferred taxation	-	796	796
Liabilities of disposal group classified as held for sale	8,859	32,698	41,557

MYF: MY Flexitank Industries Sdn Bhd, a 60% owned subsidiary of Luster Precision Engineering Sdn Bhd which is a wholly owned subsidiary of Luster Industries Bhd ("LIB").

* MISB Group: Mctronic Industries Sdn Bhd ("MISB") and its wholly owned subsidiary, Mctronic Plastic Sdn Bhd ("MPSB"). MISB is 80% owned subsidiary of LIB.

18. Variance of profit forecast

Not applicable for this reporting.

19. Tax expense

	Current year quarter ended 30 Jun 2009 RM'000	Previous year quarter ended 30 Jun 2008 RM'000
Current taxation		
- Based on results for the period	28	35
- Prior years	-	-
Deferred taxation	-	-
	<u>28</u>	<u>35</u>

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

The Company is still waiting for the last Financial Institution creditor's approval-in-principle pursuant to the Proposed Debt Settlement for the Company to proceed in seeking for the shareholders' and relevant authorities approvals for the Proposed Regularisation Plan.

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 Jun 2009 RM'000
Current	62,673
Non-current	<u>5,412</u>

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

Save as disclosed below, there is no pending or threatened litigation or any fact likely to give rise to the proceedings which might materially and adversely affect the business of LIB.

- **Cortainer Products Sdn Bhd (Plaintiff) v. Luster Precision Engineering Sdn Bhd (LPESB) (Defendant)- Penang High Court Civil Suit No. 22-222-2007**

The Notice of Discontinuance had been received on 16 June 2009.

- **Tan Meng Chai & Cherng Chooi Lian (Plaintiffs) v. Luster Industries Bhd & Mctronic Industries Sdn Bhd (Defendants) - Muar High Court Civil Suit No: 22-71-2008**

The Plaintiffs have sought via the above suit that they are the beneficial owners of the disputed shares in Mctronic Industries Sdn Bhd.

Meanwhile, the Parties had on 28 May 2009 entered into an Agreement wherein upon completion of the Agreement, the parties shall instruct their solicitors to concurrently and/or jointly take all necessary actions to discontinue and/or withdraw the suit.

26. Proposed dividend

No dividend was proposed for the quarter ended 30 June 2009.

27. 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 RM2.1 million and net loss after taxation and after minority interest of RM0.8 million respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 30-Jun-09	Unaudited Preceding year quarter ended 30-Jun-08	Unaudited Current year cumulative quarter ended 30-Jun-09	Unaudited Preceding year cumulative quarter ended 30-Jun-08
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

BY ORDER OF THE BOARD

Lam Voon Kean (MIA4793)

Company Secretary

Dated this 28th day of August 2009