

LUSTER INDUSTRIES BHD

(Company No. 156148-P)

(Incorporated in Malaysia)

and its subsidiaries**Condensed consolidated statement of financial position**

	Note	Unaudited as at 30-Jun-10 RM'000	Audited as at 31-Dec-09 RM'000
Assets			
Non-current assets			
Property, plant & equipment		37,531	41,942
Current assets			
Inventories		8,609	7,164
Trade receivables		10,614	10,280
Other receivables, deposits and prepayments		7,569	9,189
Tax refundable		2,642	2,609
Fixed deposits with licensed banks		20	121
Cash and cash equivalents		7,114	4,526
		36,568	33,889
Assets of disposed group classified as held for sale		-	41,780
Total assets		74,099	117,611
Equity			
Share capital		61,183	61,183
Reserves		(66,745)	(61,911)
Total equity attributable to shareholders of the Company		(5,562)	(728)
Minority interests		-	2,025
Total equity		(5,562)	1,297
Liabilities			
Non-current liabilities			
Interest bearing borrowings		856	909
Deferred tax liabilities		567	567
		1,423	1,476
Current liabilities			
Trade payables		1,725	2,749
Other payables and accruals		3,784	8,013
Borrowings		72,436	71,303
Taxation		293	75
		78,238	82,140
Liabilities directly associated with assets classified as held for sale		-	32,698
Total liabilities		79,661	116,314
Total equity and liabilities		74,099	117,611
Net Asset per share (RM)		(0.09)	(0.01)

The notes set out on page 5 to 13 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 statement of comprehensive income

	Unaudited current year quarter ended 30-Jun-10 RM'000	Unaudited preceding year quarter ended 30-Jun-09 RM'000	Unaudited current year ended 30-Jun-10 RM'000	Unaudited preceding year ended 30-Jun-09 RM'000
Revenue	14,218	10,536	23,251	17,736
Cost of sales	(12,179)	(9,839)	(20,304)	(16,177)
Gross profit	<u>2,039</u>	<u>697</u>	<u>2,947</u>	<u>1,559</u>
Other income/(expenses)	298	(101)	(145)	476
Distribution expenses	(195)	(117)	(339)	(176)
Administration expenses	(1,209)	(1,315)	(2,571)	(2,371)
Results from operating activities	<u>933</u>	<u>(836)</u>	<u>(108)</u>	<u>(512)</u>
Gain/(Loss) from disposal of fixed assets	(928)	12	(928)	12
Loss from disposal of subsidiary	(701)	-	(701)	-
Finance costs	(1,471)	(1,234)	(2,778)	(2,256)
Loss before tax	<u>(2,167)</u>	<u>(2,058)</u>	<u>(4,515)</u>	<u>(2,756)</u>
Income tax expense	(332)	(28)	(339)	(57)
Total comprehensive income for the period	<u>(2,499)</u>	<u>(2,086)</u>	<u>(4,854)</u>	<u>(2,813)</u>
Attributable to :				
Shareholders of the company	<u>(2,499)</u>	<u>(2,086)</u>	<u>(4,854)</u>	<u>(2,813)</u>
Basic earnings per ordinary shares (sen)	<u>(4.08)</u>	<u>(3.41)</u>	<u>(7.93)</u>	<u>(4.60)</u>
Diluted earnings per ordinary shares (sen)	<u>(4.08)</u>	<u>(3.41)</u>	<u>(7.93)</u>	<u>(4.60)</u>

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LUSTER INDUSTRIES BHD

(Company No. 156148-P)

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and its subsidiaries**Condensed unaudited consolidated statement of changes in equity for the year ended 30 June 2010**

	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 2010	61,183	2,338	76	(64,324)	(727)	2,025	1,298
Exchange difference on translation of :							
- financial statement of oversea subsidiaries	-	-	19	-	19	-	19
- related borrowings					-		-
Net gain recognised directly in equity	61,183	2,338	95	(64,324)	(708)	2,025	1,317
Loss for the period	-	-	-	(4,854)	(4,854)	(2,025)	(6,879)
Total recognised income and expense for the period	61,183	2,338	95	(69,178)	(5,562)	-	(5,562)
Dividends approved in respect of previous year	-	-	-	-	-	-	-
As at 30 June 2010	61,183	2,338	95	(69,178)	(5,562)	-	(5,562)

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LUSTER INDUSTRIES BHD

(Company No. 156148-P)

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and its subsidiaries**Condensed consolidated cash flow statement**

	Unaudited current quarter ended 30-Jun-10 RM'000	Unaudited preceding quarter ended 30-Jun-09 RM'000
Net cash from/(used in) operating activities	(3,963)	1,739
Net cash from investing activities	7,225	22
Net cash used in financing activities	(671)	(73)
Net increase/(decrease) in cash & cash equivalent	<hr/> 2,591	<hr/> 1,688
Cash & cash equivalent as at 1 January	4,526	6,026
Cash & cash equivalent from discontinued and disposal group classified as held for sale	-	(4,144)
Effect of foreign exchange rate changes	(3)	-
Cash & cash equivalents as at 30 June 2010	<hr/> <hr/> 7,114	<hr/> <hr/> 3,570

The notes set out on page 5 to 13 form an integral part of and should be read in conjunction with this interim financial reports.

Effective for financial periods beginning on or after 1 January 2010 (cont'd)

	Amendment to FRS 116	Property, Plant and Equipment. Amendment relating to derecognition of asset
	Amendment to FRS 117	Leases. Amendment relating to classification of leases
	Amendment to FRS 118	Revenue. Amendment relating to Appendix of this standard and recognition and measurement
	Amendment to FRS 119	Employee Benefits. Amendment relating to definition, curtailment and settlements
*	Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance. Amendment relating to definition and government loan with a below market rate of interest
	FRS 123 (Revised 2010)	Borrowing Costs
	Amendment to FRS 123	Borrowing Costs. Amendment relating to components of borrowing costs
	Amendment FRS 127	Consolidated and Separate Financial Statements. Amendment relating to cost of an investment in a subsidiary, jointly controlled entity or associate
*	Amendment to FRS 128	Investment in Associates. Amendment relating to impairment losses in application of the equity method and the scope of this standard
*	Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies. Amendment relating to changing of terms used
*	Amendment to FRS 131	Interests in Joint Ventures. Amendment relating to additional disclosure required for joint venture that does not apply FRS 131
	Amendment to FRS 132	Financial Instruments : Presentation. Amendment relating to puttable financial instruments
	Amendment to FRS 134	Interim Financial Reporting. Amendment relating to disclosure of earnings per share
	Amendment to FRS 136	Impairment of Assets. Amendment relating to the disclosure of recoverable amount
*	Amendment to FRS 138	Intangible Assets. Amendment relating to recognition of an expense
	FRS 139	Financial Instruments : Recognition and Measurement
	Amendments to FRS 139	Financial Instruments : Recognition and Measurements. Amendments relating to eligible hedged items, reclassification of financial assets and embedded derivatives
*	Amendment to FRS 140	Investment Property. Amendment relating to inability to determine fair value reliably
*	IC Interpretation 9	Reassessment of Embedded Derivatives
	IC Interpretation 10	Interim Financial Reporting and Impairment

Effective for financial periods beginning on or after 1 January 2010 (cont'd)

* IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
* IC Interpretation 13	Customer Loyalty Programmes
* IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

* Not relevant to the Group and to the Company as at the reporting date.

The existing FRS 1, FRS 3 and FRS 127 will be withdrawn upon the adoption of the revised Standards which will take effect on 1 July 2010. FRS 201₂₀₀₄ Property Development Activities shall be withdrawn on application of IC Interpretation 15. The effects of FRS 7 and FRS 139, if any, upon their initial recognition are exempted from disclosure.

The adoption of these new/revised FRS, amendments to FRS and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period for initial application except for the following :

FRS 3 Business Combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

FRS 7 Financial Instruments : Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments and the objectives, policies and processes for managing capital.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114₂₀₀₄ Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. Currently, the Group presents segment information in respect of its business segments, which is also the basis of presenting its monthly internal management reports.

FRS 117 Leases

The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

As a result, certain comparatives of the statement of financial position as of 31 December 2009 have been restated as follows:

	Balance Sheet As previously reported RM'000	Adjustments RM'000	Statement of Financial Position As restated RM'000
Property, plant and equipment	37,265	4,677	41,942
Prepaid interest in leased land	4,677	(4,677)	-

FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group and the Company shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

FRS 127 Consolidated and Separate Financial Statements

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Losses are required to allocate to non-controlling interests, even if it results in the non-controlling interest to be in a deficit position.

FRS 139 Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. By virtue of the exemption in paragraph 103AB of FRS 139, the impact on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed, if any.

The following new and revised Financial Reporting Standards (“FRSs”) and Interpretations were issued but not yet effective and have not been early adopted by the Group and the Company :

Effective for financial periods beginning on or after 1 July 2010

FRS 1 (Revised 2010)	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment. Amendments relating to the scope of the Standard
FRS 3	Business Combinations
* Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations. Amendment relating to the inclusion of non-current assets as held for distribution to owners in the standards
FRS127	Consolidated and Separate Financial Statements
* Amendments to FRS 138	Intangible Assets. Amendments relating to the revision to FRS 3
* Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives. Amendments relating to the scope of the IC and revision to FRS 3
* IC Interpretation 12	Service Concession Arrangements

Effective for financial periods beginning on or after 1 July 2010 (cont'd)

*	IC Interpretation 15	Agreements for the Construction of Real Estate
*	IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
*	IC Interpretation 17	Distributions of Non-cash Assets to Owners

* Not relevant to the Group and to the Company as at the reporting date.

2. Auditors' qualification

The audited report of the preceding annual financial statements of Luster Industries Bhd contained an emphasis of matter on the uncertainties over its ability to continue as a going concern. The going concern of the Group is dependent on the approval and successful implementation of the proposed Regularisation Plans.

3. Seasonality or cyclicity factors

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

4. Exceptional and extraordinary items

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

5. Change in estimates

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

6. Change in debt and equity securities

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

7. Dividends paid

No dividend was paid for the current quarter ended 30 June 2010.

8. 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		Others		Inter-segment elimination		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	23,161	18,062	90	137	-	-	23,251	18,199
Segment results (Profit after taxation)	(2,190)	(2,868)	(2,664)	55	-	-	(4,854)	(2,813)

9. Revaluation of property, plant and equipment

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

10. Material post balance sheet events

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

11. 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 has been made on 29 May 2009.

Securities Commission has approved the above disposal.

As at 27 May 2010, the Company has received the balance cash consideration of RM4.0 million and the shares has been transferred to transferees.

Other than the above, there was no change in the composition of the Group for the current quarter.

12. Changes in contingent liabilities and assets

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

13. Review of performance of the Company and its principal subsidiaries

The Group has recorded revenue of RM14.2 million and the loss after taxation of RM2.5 million in current quarter under review. The revenue in previous year corresponding quarter was RM10.5 million and loss after taxation was RM2.1 million. The higher loss after taxation for current quarter under review was mainly due to the completion of the disposal of Mctronic Group which has resulted in a loss of RM0.7 million and the disposal of idle plant & machinery which has resulted in a loss of RM0.9 million. Interest for the current quarter under review and previous year corresponding quarter were on provisional basis and will be waived upon completion of the debt restructuring scheme.

14. Variation of results against preceding quarter

Revenue in current quarter under review was RM14.2 million as compared to RM9.0 million in preceding quarter. The results from operating activities were profit of RM0.9 million in current quarter under review and loss of RM1.0 million in preceding quarter. However, there was no significant variation in the loss after taxation recorded by the Group in both quarters due to the loss on disposal of subsidiary and fixed assets recorded in the current quarter under review.

15. Prospects

Even though the global economy has gradually shown positive signs of recovering in 2009, there are still many industries trying to find a way out of the global economic slowdown. For those industries

that had managed to ride through the tough and turbulent economic conditions, many are still facing very challenging and competitive business environments.

Realizing the challenging and competitive business environment that the Group is in, we have and will be continuously taking steps to innovate and differentiate ourselves in order to stay competitive. This coupled with the strategies taken and the experiences gained over the past 23 years in the plastic industry and proven technical capabilities, the Group will be able to secure contracts from both local and MNC customers. However, with the prolonged PN17 status, the Group is facing many hurdles and challenges in growing the revenue with the existing and potential customers.

The Board believes that with its restructuring and strategies in place and steps taken to address the issue on the upliftment of PN17 and barring any unforeseen circumstances, is cautiously optimistic that the Group will be able to deliver a better result in the future.

16. Variance of profit forecast

Not applicable for this reporting.

17. Tax expense

	Current year quarter ended 30 Jun 2010 RM'000	Previous year quarter ended 30 Jun 2009 RM'000
Current taxation		
- Based on results for the period	332	28
- Prior years	-	-
Deferred taxation	-	-
	332	28

18. 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.

19. Purchase or disposal of quoted securities

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

20. Status of corporate proposals

The board of directors had on 30 August 2010 entered into an Memorandum Of Understanding with the shareholders of Unique Diamond Sdn Bhd (“UDSB”) and H&P Plastic Sdn Bhd (“HPPSB”) in line with the corporate exercise to be undertaken by Company (“Proposed Restructuring Exercise”). UDSB and HPPSB are principally involved in the manufacture, assemble, process and design of precision plastic injection moulded parts. The full details of the Proposed Restructuring Exercise will be announced upon its finalisation.

21. 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 are as follows:

	30 Jun 2010
Current	RM'000 72,436
Non-current	856

The above borrowings are denominated in Ringgit Malaysia.

22. 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.

23. 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.

- **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 (MISB).

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. The plaintiffs had on 26 May 2010 via their letter instructed their solicitor to discontinue the suit on 30 June 2010 when the case up for mention.

The shares of MISB have been transferred to the plaintiff and the balance cash consideration has been received on 27 May 2010. The plaintiff's lawyer had on 27 July 2010 via their letter informed that the abovementioned suit has been withdrawn.

24. Proposed dividend

No dividend was proposed for the quarter ended 30 June 2010.

25. 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 RM2.5 million and net loss after taxation and after minority interest of RM2.1 million respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 30-Jun-10	Unaudited Preceding year quarter ended 30-Jun-09	Unaudited Current year cumulative quarter ended 30-Jun-10	Unaudited Preceding year cumulative quarter ended 30-Jun-09
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 30th day of August 2010