

LUSTER INDUSTRIES BHD

(Company No. 156148-P)

(Incorporated in Malaysia)

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

	Unaudited as at 31-Mar-12 RM'000	Audited as at 31-Dec-11 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	25,993	26,224
Current assets		
Inventories	6,684	7,474
Trade receivables	11,697	11,947
Other receivables, deposits and prepayments	3,910	3,997
Tax refundable	562	546
Fixed deposits with licensed banks	22	22
Cash and cash equivalents	6,973	5,622
	29,848	29,608
Non-current assets classified as held for sale	-	1,659
TOTAL ASSETS	55,841	57,491
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	61,183	61,183
Reserves	(90,383)	(87,351)
Total equity	(29,200)	(26,168)
Liabilities		
Non-current liabilities		
Interest bearing borrowings	174	191
Deferred tax liabilities	61	61
	235	252
Current liabilities		
Trade payables	870	1,510
Other payables and accruals	2,875	2,050
Borrowings	81,035	79,821
Taxation	26	26
	84,806	83,407
Total liabilities	85,041	83,659
TOTAL EQUITY AND LIABILITIES	55,841	57,491
Net Asset per share (RM)	(0.48)	(0.43)

The notes set out on page 5 to 12 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 31-Mar-12 RM'000	Unaudited preceding year quarter ended 31-Mar-11 RM'000	Unaudited current year ended 31-Mar-12 RM'000	Unaudited preceding year ended 31-Mar-11 RM'000
Revenue	8,957	9,508	8,957	9,508
Cost of sales	(9,325)	(8,904)	(9,325)	(8,904)
Gross profit	<u>(368)</u>	<u>604</u>	<u>(368)</u>	<u>604</u>
Administration expenses	(1,167)	(910)	(1,167)	(910)
Distribution expenses	(161)	(149)	(161)	(149)
Other income /(expenses)	132	(108)	132	(108)
Results from operating activities	<u>(1,564)</u>	<u>(563)</u>	<u>(1,564)</u>	<u>(563)</u>
Finance costs	(1,471)	(1,387)	(1,471)	(1,387)
Loss before tax	<u>(3,035)</u>	<u>(1,950)</u>	<u>(3,035)</u>	<u>(1,950)</u>
Income tax expense	-	(5)	-	(5)
Loss for the period	<u>(3,035)</u>	<u>(1,955)</u>	<u>(3,035)</u>	<u>(1,955)</u>
Other comprehensive income :				
Exchange translation reserve	3	1	3	1
Total comprehensive loss for the period	<u>(3,032)</u>	<u>(1,954)</u>	<u>(3,032)</u>	<u>(1,954)</u>
Profit attributable to :				
Shareholders of the company	<u>(3,035)</u>	<u>(1,955)</u>	<u>(3,035)</u>	<u>(1,955)</u>
Total comprehensive loss attributable to :				
Shareholders of the company	<u>(3,032)</u>	<u>(1,954)</u>	<u>(3,032)</u>	<u>(1,954)</u>
Basic earnings per ordinary shares (sen)	<u>(4.96)</u>	<u>(3.20)</u>	<u>(4.96)</u>	<u>(3.20)</u>
Diluted earnings per ordinary shares (sen)	<u>(4.96)</u>	<u>(3.20)</u>	<u>(4.96)</u>	<u>(3.20)</u>

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LUSTER INDUSTRIES BHD
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and its subsidiaries

Condensed unaudited consolidated statement of changes in equity for the year ended 31 March 2012

	Share Capital	Non-Distributable Share Premium	Exchange Reserve	Accumulated Losses	Total	Minority interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2011	61,183	2,338	(30)	(83,172)	(19,681)	-	(19,681)
Total comprehensive loss for the period			1	(1,955)	(1,954)		(1,954)
As at 31 March 2011	<u>61,183</u>	<u>2,338</u>	<u>(29)</u>	<u>(85,127)</u>	<u>(21,635)</u>	<u>-</u>	<u>(21,635)</u>
As at 1 January 2012	61,183	2,338	(22)	(89,667)	(26,168)	-	(26,168)
Total comprehensive loss for the period			3	(3,035)	(3,032)		(3,032)
As at 31 March 2012	<u>61,183</u>	<u>2,338</u>	<u>(19)</u>	<u>(92,702)</u>	<u>(29,200)</u>	<u>-</u>	<u>(29,200)</u>

The notes set out on page 5 to 12 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 cash flow**

	Unaudited current quarter ended 31-Mar-12 RM'000	Unaudited preceding quarter ended 31-Mar-11 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,035)	(1,950)
Adjustments for :		
Depreciation	405	573
Interest expense	1,471	1,387
Interest income	(7)	(8)
Loss/(Gain) on disposal of property, plant and equipment	(153)	-
Unrealised loss/(gain) on foreign exchange	129	54
Operating (loss)/profit before working capital changes	<u>(1,190)</u>	<u>56</u>
Decrease/(Increase) in inventories	790	(1,039)
Decrease/(Increase) in receivables	17	(500)
(Decrease)/Increase in payables	177	663
Cash (used in)/generated from operations	<u>(206)</u>	<u>(820)</u>
Income tax refund/(paid)	(16)	(22)
Interest paid	(423)	(374)
Net cash (used in)/from operating activities	<u>(645)</u>	<u>(1,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows from disposal of investment in a subsidiary	-	8
Interest received	7	(348)
Proceeds from disposal of property, plant and equipment	(174)	-
Purchase of property, plant and equipment	1,812	-
Net cash (used in)/from investing activities	<u>1,645</u>	<u>(340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase payables	(11)	(32)
Net cash (used in)/from financing activities	<u>(11)</u>	<u>(32)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	989	(1,588)
Effects of foreign exchange rates changes	(59)	(41)
CASH AND CASH EQUIVALENTS AT BEGINNING	(14,076)	(12,118)
CASH AND CASH EQUIVALENTS AT END	<u><u>(13,146)</u></u>	<u><u>(13,747)</u></u>
Represented by :		
Cash and bank balances	6,973	4,724
Bank overdrafts	(20,119)	(18,471)
	<u><u>(13,146)</u></u>	<u><u>(13,747)</u></u>

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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 MFRS 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 2011.

2. Changes in accounting policies

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 2011, except for the adoption of the following Financial Reporting Standards (“FRS”), amendments to FRSs and Issues Committee Interpretations (“IC Interpretations”) with effect from 1 January 2012.

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments : Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events After the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interests in Joint Ventures
MFRS 132	Financial Instruments : Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets

MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments : Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Int 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Int 4	Determining whether an Arrangement contains a Lease
IC Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Int 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Int 9	Reassessment of Embedded Derivatives
IC Int 10	Interim Financial Reporting and Impairment
IC Int 12	Service Concession Arrangements
IC Int 13	Customer Loyalty Programmes
IC Int 14	MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Int 15	Agreements for the Construction of Real Estate
IC Int 16	Hedges of a Net Investment in a Foreign Operation
IC Int 17	Distributions of Non-cash Assets to Owners
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments
IC Int 107	Introduction of the Euro
IC Int 110	Government Assistance – No Specific Relation to Operating Activities
IC Int 112	Consolidation – Special Purpose Entities
IC Int 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
IC Int 115	Operating Leases – Incentives
IC Int 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
IC Int 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Int 129	Service Concession Arrangements : Disclosures
IC Int 131	Revenue – Barter Transactions Involving Advertising Services
IC Int 132	Intangible Assets – Web Site Costs

The adoption of the above did not have any significant effects on the interim financial report upon their initial application.

3. 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 High Court's approval for the Capital Reduction and Share Premium Reduction and the successful implementation of the proposed Regularisation Plans.

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 2012.

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		Others		Inter-segment elimination		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	8,882	9,476	813	32	(738)	-	8,957	9,508
Segment results (Profit after taxation)	(2,403)	(939)	(632)	(1,016)	-	-	(3,035)	(1,955)

10. Revaluation of property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

11. Material post balance sheet events

There was no material post balance sheet event subsequent to the period under review except for the disclosure in note 20.

12. Changes in Group's composition

There were no changes 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. Capital commitments

	31 Mar 2012	31 Mar 2011
	RM'000	RM'000
Contracted but not provided for	16,000	-

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

For the current quarter ended 31 March 2012, the Group recorded a loss after taxation of RM3.0 million as compared to a loss after taxation of RM2.0 million for the previous year corresponding quarter, on a revenue of RM9.0 million and RM9.5 million respectively. The lower revenue is mainly due to the slower ordering for waste bins and cooling pad. However, the orders are expected to increase to towards end of 2nd Quarter 2012. The lower revenue recorded as well as the payment of incentive to employees of approximately RM0.3 million and salary adjustment of the employees in the current quarter has resulted in the higher loss after taxation. Higher overheads were also incurred in the current quarter to transfer and test the moulds from overseas for new projects of which the mass production will start early June 2012.

During the current quarter, revenue for the contract manufacturing sector decreased by approximately RM0.6 million from RM9.5 million in the previous year corresponding quarter mainly due to the slower ordering for waste bins and cooling pad. The lower revenue recorded, payment of incentive to employees, salary adjustment and higher overheads as mention on the above has resulted in a loss after taxation of RM2.4 million in current quarter as compared to a loss after taxation of RM0.9 million in previous year corresponding quarter.

For other sectors, revenue for current quarter under review has increased as compared to previous year corresponding quarter. This is mainly due to the reclassification of accounts of which rental income has been reclassified from other income account to revenue account due to the change of principal activities of the companies. The loss after taxation for other sector was RM0.6 million in the current quarter under review as compared to RM1.0 million in previous year corresponding quarter mainly due to gain on disposal of factory land and building amounting to approximately RM0.2 million.

16. Variation of results against preceding quarter

There was not significant change in regards to revenue recorded for current quarter under review as compared to preceding quarter. The revenue for both current quarter and preceding quarter was RM9.0 million. The higher loss of RM3.0 million in the current quarter as compared to RM2.0 million in the preceding quarter was mainly due to the payment of incentive to employees, salary adjustment and higher overheads for moulds transfer and testing for new projects.

For contract manufacturing sector, there is no significant variance for revenue in both current quarter under review and preceding quarter. The loss after taxation in current quarter under review was RM2.4 million as compared to loss of RM0.9 million in preceding quarter mainly due to the payment of incentive to employees and higher overhead for mould transfer and testing.

For others sector, the revenue for both current quarter under review and preceding quarter were RM0.8 million. The loss after taxation for other sector was RM0.6 million in the current quarter under review as compared to RM1.1 million in previous year corresponding quarter mainly due to the gain on disposal of factory land and building abovementioned.

17. Prospects

Notwithstanding the challenging global and domestic economic outlook over the past few years and the Company's position as a PN17 company, the Group has been able to maintain its existing customers, which comprise brand owners including multinational companies. As the Group's products are ultimately exported, the uncertainties of the Global economy especially in the European Union, United States of America and Japan, our future business condition remains challenging in the next 12 months. The Group will continue its effort to manage costs and increase operational efficiency and continue to rationalise its operations in order to stay competitive. While the Global economy still presents with much uncertainties, the Group had managed to obtain few business enquiries in Q1 2012 which if materialise will augur well for the Group's future growth.

The management continues to take steps to differentiate the Group from its competitors in order to command a stronger and leading position in the market. The Board believes that the corporate exercises will position the Group well to cater to the burgeoning opportunities in these regions.

As part of our proposed revised regularisation plan, we had on 30 November 2010 and 7 January 2011 signed the conditional Share Sale Agreements with the vendors of the Winco Group i.e. Winco Precision Engineering (Melaka) Sdn Bhd ("WPESB") and Winco Precision Technologies Sdn Bhd ("WPTSB"), and Exzone Plastics Manufacturer Sdn Bhd ("EPM") respectively. The acquisition of WPE, WPT and EPM provides the Group a synergistic platform which will further enhance the Group's engineering and manufacturing capabilities. These will augur well for the Group's future growth. As both LIB and the Acquiree Companies service the key sub-sectors and supporting industries to the E&E industry, the enlarged Group will be able to provide a broader range of products and value-added services to better service the Group's customers in the E&E industry. In addition, the enlarged Group will also be able to leverage on the shared technological expertise, network and customer base of the Acquiree Companies.

The Proposed Acquisitions are expected to strengthen the Group's financial position and contribute positively to the Group's future earnings. The aggregate guaranteed profit from the Proposed Winco Precision Engineering (Melaka) Sdn Bhd Acquisition and Proposed Winco Precision Technologies Sdn Bhd Acquisition is RM3.57 million for the two (2) FYE 31 December 2011 and 31 December 2012. The guaranteed profit from the Proposed Exzone Plastics Manufacturers Sdn Bhd Acquisition is RM4.80 million for the two (2) FYE 31 December 2011 and 31 December 2012, out of which RM2.84 million is attributable to the Group. Consequently, the collective profit guarantee from the Proposed Acquisitions will boost the Group's FYE 31 December 2012 consolidated earnings. The Acquiree Companies are expected to remain profitable and provide LIB with steady stream of future cash flows, given the positive outlook of the industry.

The proposed acquisition of the machinery and equipment and construction costs to expand the existing facilities of Luster Precision Engineering Sdn Bhd and Luster Plastic Industries Sdn Bhd as announced on 30 December 2011 are undertaken to enable the Group to move into higher value added manufacturing in the automotive market and high-end medical instruments, devices and parts, in line with the Group's future plans. By moving into the higher value added manufacturing, LIB will be able to generate better returns and differentiate itself from other plastic injection players. This would also strengthen customer loyalty, as it will be more difficult for customers to find other companies which are able to provide similar service as the Group. In addition, with the participation of Koike Precision Sdn Bhd ("KPSB") and LIMA Corporation Sdn Bhd ("LCSB"), the Group will be able to tap into the business networks of KPSB and LCSB that require the manufacturing services of LIB Group. KPSB will also be able to provide an in-road into the Japanese market and also to further strengthen LIB's relationship with its existing Japanese customers.

The Group is expected to start the production of the new projects in the next 2 to 3 months and with the strategies taken above, the Board expects that the Group will be able to deliver better results.

18. Variance of profit forecast

Not applicable for this reporting.

19. Tax expense

	Current year quarter ended 31 Mar 2012 RM'000	Previous year quarter ended 31 Mar 2011 RM'000
Current taxation		
- Based on results for the period	-	5
- Prior years	-	-
Deferred taxation	-	-
	<hr/>	<hr/>
	-	5

20. Status of corporate proposals

The board of directors had on 30 March 2012 announced that High Court of Malaya at Kuala Lumpur had granted an order confirming the Proposed Capital Reduction and Proposed Share Premium Reduction pursuant to Sections 60(2) and 64(1) of the Companies Act, 1965.

On 5 April 2012, the Board had announced that a copy of the sealed order of the High Court of Malaya at Kuala Lumpur confirming the Proposed Capital Reduction and Proposed Share Premium reduction had been lodged with the Companies Commission of Malaysia. Accordingly, the Proposed Capital Reduction and Proposed Share Premium Reduction became effective on 5 April 2012.

On 30 April 2012, the Board had announced the following:

- i) the Book Closure Date for the Proposed Share Split had been fixed at 5.00 p.m. on 15 May 2012;
- ii) the Book Closure Date for the Proposed Rights Issue had been fixed at 5.00 p.m. on 15 May 2012;
and
- iii) The Important Relevant Dates for the Proposed Rights Issue.

On 14 May 2012, the Board had announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated 14 May 2012, granted its approval to uplift the suspension in the trading of LIB shares on Bursa Securities with effect from 9.00 a.m, Wednesday, 16 May 2012, to facilitate the implementation of the Proposed Rights Issue and all other subsequent exercises under LIB's Proposed Revised Regularisation Plan. The Board further announced that the Abridged Prospectus in respect of the Proposed Rights Issue was registered with the Securities Commission Malaysia and lodged with the Companies Commission of Malaysia on 14 May 2012.

The Company is presently undertaking the due process of implementing the Proposed Revised Regularisation Plan.

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:

	31 Mar 2012 RM'000
Current	<hr/> <hr/> 81,035
Non-current	<hr/> <hr/> 174

The above borrowings are denominated in Ringgit Malaysia.

22. Changes in material litigation

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.

23. Proposed dividend

No dividend was proposed for the quarter ended 31 March 2012.

24. Earnings/(Losses) 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 RM3.0 million and net loss after taxation and after minority interest of RM2.0 million respectively.

Basic earnings per share

Weighted average number of ordinary shares

Description	Unaudited Current year quarter ended 31 Mar 12 '000	Unaudited Preceding year quarter ended 31 Mar 11 '000	Unaudited Current year cumulative quarter ended 31 Mar 12 '000	Unaudited Preceding year cumulative quarter ended 31 Mar 11 '000
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

25. Profit before tax

	Quarter ended 31 Mar		Period ended 31 Mar	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax is arrived at after charging/(crediting)				
Depreciation of property, plant and equipment	405	573	405	573
Interest expense	1,471	1,387	1,471	1,387
Interest income	(7)	(8)	(7)	(8)
Loss/(gain) on disposal of property, plant and equipment	(153)	-	(153)	-
Realised loss/(gain) on foreign exchange	(13)	57	(13)	57
Unrealised loss/(gain) on foreign exchange	129	54	129	54

Other than the above items, there were no provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter

26. Breakdown of realised and unrealised profits/(losses)

The breakdown of accumulated losses of the Group as at the reporting date, into realised and unrealised losses, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 25 March 2010, is as follows :

	Unaudited 31 Mar 2012 RM'000	Audited 31 Dec 2011 RM'000
Accumulated losses of the Group		
- Realised	(92,512)	(105,382)
- Unrealised	(190)	(69)
	<hr/>	<hr/>
	(92,702)	(105,452)
Less : Consolidation adjustments	-	15,785
	<hr/>	<hr/>
Accumulated losses	(92,702)	(89,667)
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The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

BY ORDER OF THE BOARD

Liang Wooi Gee

Executive Director

Dated this 31st day of May 2012