

## **LNG RESOURCES BERHAD**

(Company No. 582043-K)

(Incorporated in Malaysia)

### **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2007**

#### **A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134**

##### **1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134 “Interim Financial Reporting” and Chapter 9, Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended December 31, 2006.

Save for the changes in accounting policies as set out in Note A2, the accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the year ended December 31, 2006.

##### **2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended December 31, 2006 except for the adoption of FRS 124 – Related Party Disclosures which is effective for financial period commencing October 1, 2006.

The adoption of the abovementioned FRS does not have significant financial impact on the Group.

##### **3. Audit Qualification**

The audited financial statements for the year ended December 31, 2006 were not subject to any qualification.

##### **4. Seasonal or Cyclical Factors**

The Group’s operations were not significantly affected by any seasonal or cyclical factors.

##### **5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow for the period under review.

##### **6. Material Changes in Estimates**

There were no material changes in estimates for the period under review.

##### **7. Issuance and Repayment of Debts and Equity Securities**

Save as disclosed below, there were no issuance and repayment of debts and equity securities for the current financial period-to-date.

During the financial period, the share capital of the Company has been increased to RM18,422,547 by the issuance of 7,926,000 new ordinary shares of RM0.10 each at issue prices

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of RM0.21 and RM0.22 per ordinary share pursuant to the Employees' Share Option Scheme of the Company.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

### 8. Dividends Paid

There was no dividend payment during the current financial period-to-date.

### 9. Segmental Information

Segmental information in respect of the Group's business segments for the period ended March 31, 2007:

	Precision Engineering RM'000	Plastic Injection RM'000	Property Investment Holding RM'000	Elimination RM'000	Group RM'000
<b>Revenue</b>					
- External customers	4,434	2,468	-	-	6,902
- Inter-segment	177	-	57	(234)	-
<b>Total revenue</b>	<u>4,611</u>	<u>2,468</u>	<u>57</u>	<u>(234)</u>	<u>6,902</u>
<b>Segment results</b>	1,283	591	23	17	1,914
Unallocated corporate expenses					(53)
Interest income					104
Finance costs					(16)
<b>Profit before tax</b>					<u>1,949</u>
Tax expense					(277)
<b>Net profit</b>					<u>1,672</u>

### 10. Valuation of Property, Plant and Equipment

The valuations of the factory buildings and fixtures and fittings have been brought forward, without amendment from the previous annual financial report.

### 11. Material Events Subsequent to the End of the Interim Period

There was no material event subsequent to the current quarter ended March 31, 2007 that has not been reflected in this quarterly report.

### 12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended March 31, 2007.

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### **13. Contingent Liabilities**

Save for the corporate guarantee granted by LNG in favour of financial institutions for credit facilities granted to its subsidiary companies, neither LNG nor its subsidiary companies have any contingent liabilities as at March 31, 2007 which, upon becoming enforceable, may have a material effect on the financial position of LNG or its subsidiary companies. Accordingly, the Company is contingently liable to the extent of the credit facilities utilised by its subsidiary companies amounting to approximately RM3,218,000 as of the end of the financial period.

### **14. Capital Commitments**

The Group has the following capital commitment in respect of property, plant and equipment as at March 31, 2007:

	RM ('000)
Contracted but not provided for	<u>7,647</u>

## **B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET**

### **1. Performance Review**

The Group's revenue for the current financial period/quarter ended March 31, 2007 of RM6.902 million was approximately the revenue in the prior year corresponding financial period/quarter ended March 31, 2006 of RM6.917 million. The profit before tax for the period/quarter ended March 31, 2007 amounted to RM1.949 million, which is also lower than the profit before tax of RM2.142 million for the previous year corresponding financial period/quarter.

This was attributed to a decline in gross profit margins for the precision engineering division as compared to the previous year corresponding financial period/quarter, due to different products being fabricated and billed in this quarter.

There are no other material factors which have affected the revenue and profit before tax of the Group for the current quarter/financial period-to-date.

### **2. Comment on Material Change in Profit Before Tax**

The pre-tax profit of RM1.949 million for the current quarter was lower than the pre-tax profit of RM2.139 million in the preceding quarter despite higher revenue generated in the current quarter due to sales of lower margin products as compared to the preceding quarter.

### **3. Current Year Prospects**

Barring any unforeseen circumstances, the Directors are optimistic that the performance of the Group will continue to grow steadily in year 2007.

### **4. Variance of Actual Profit from Profit Forecast**

Not applicable.

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**5. Income Tax Expense**

	<b>Current Quarter RM'000</b>	<b>Period To Date RM'000</b>
Income Tax	134	134
Deferred Tax	143	143
	<u>277</u>	<u>277</u>

The effective tax rate of the Group is lower than the statutory tax rate due to the utilisation of reinvestment allowance to partially offset the taxable profit of the Group.

**6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

There were no disposals of unquoted investment and/or properties for the current quarter and the financial period-to-date.

**7. Particulars of Purchase or Disposal of Quoted Securities**

There were no acquisitions or disposals of quoted securities for the current quarter and the financial period-to-date.

**8. Status of Corporate Proposals****i. Outstanding uncompleted corporate proposal**

There is no outstanding uncompleted corporate proposal as at the date of this quarterly report.

**ii. Utilisation of proceeds**

The special issue exercise was completed on November 17, 2006. The special issue was implemented to facilitate part compliance with the National Development Policy. The Company had raised proceeds of approximately RM6.7 million from the issuance of 25,906,000 new ordinary shares of RM0.10 each available under the special issue to Bumiputera investors approved by the Ministry of International Trade and Industry at issue prices ranging from RM0.24 to RM0.2853 per share. Accordingly, the Company has earmarked approximately RM6.4 million for the acquisition and maintenance and restoration of new manufacturing plant, RM0.15 million to offset expenses relating to the special issue exercise and the remaining proceeds of RM0.14 million will form part of the Group's day-to-day working capital requirements. The status of utilisation of the proceeds raised is as follows:

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<b>Details of Utilisation</b>	<b>Proposed Utilisation as per the Circular dated March 23, 2005 (RM'000)</b>	<b>Actual Amount of Proceeds Raised as of the date of this quarterly report (RM'000)</b>	<b>Utilised as of the date of this quarterly report (RM'000)</b>	<b>Balance (RM'000)</b>
Construction of new manufacturing plant	8,000	6,382	4,448	<sup>^</sup> 1,934
Working capital	140	140	140	-
Special issue expenses	150	150	150	-
<b>Total</b>	<b>* 8,290</b>	<b>6,672</b>	<b>4,738</b>	<b>1,934</b>

\* Based on the then indicative issue price of RM0.32 per Share.

<sup>^</sup> As stated in the Circular and subsequently announced through the Company's quarterly reports and research reports, LNG's original intention was to acquire a piece of vacant land located at Kawasan Perindustrian Tanjung Agas, Muar, Johor and to construct a new factory thereon. Subsequently, the Company identified another more suitable parcel of land with an existing factory on it ("Property") in the same vicinity, and had in October 2006, signed a sale and purchase agreement to buy the Property. The acquisition was completed on February 9, 2007.

Therefore, the amount previously allocated for the construction of the new plant (inclusive of the cost of land to be acquired) as stated in the Circular shall now be utilised for the acquisition of the Property and towards the maintenance and restoration works on the factory building. Operations at the new factory are slated to commence in the third quarter of 2007.

**9. Borrowings and Debt Securities**

The Group's borrowings, all of which are secured and denominated in Ringgit Malaysia, as at the end of the reporting quarter are as follows:

	<b>Short term RM'000</b>	<b>Long term RM'000</b>	<b>Total RM'000</b>
Term loan	1,094	1,901	2,995
Hire-purchase	151	483	634
<b>Total</b>	<b>1,245</b>	<b>2,384</b>	<b>3,629</b>

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### 10. Off Balance Sheet Financial Instruments

During the financial period, the Group entered into forward foreign exchange contracts to hedge exposures to currency risk for receivables which are denominated in a currency other than the functional currency of the Group.

As at May 21, 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of the quarterly report), the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Amount in foreign currency (‘000)	Notional Amount (RM’000)
Forward foreign exchange contracts:			
Within 1 year	USD	122	415

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the date of transactions unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward foreign exchange contracts are used. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward foreign exchange contracts are used. All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken into the income statement.

The Group does not foresee any significant credit and market risks posed by the above off balance sheet financial instruments.

There is also no cash requirement risk as the Group uses fixed forward foreign exchange contracts as its hedging instrument.

### 11. Material Litigations

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this quarterly report.

### 12. Dividends

A proposed final dividend of 10%, tax-exempt, equivalent to 1 sen per share, amounting to RM1,842,255 in respect of financial year ended December 31, 2006 was approved by the Company’s shareholders at an Annual General Meeting held on May 24, 2007; is to be paid on June 8, 2007 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on May 28, 2007.

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**13. Earnings Per Share****(a) Basic earnings per share**

The calculation of basic earnings per share for the current quarter and financial period to date is based on the net profit attributable to shareholders and the weighted average number of ordinary shares in the respective periods as follows:

	<b>Current Quarter</b>	<b>Period To Date</b>
Net profit attributable to ordinary shares (RM'000)	1,672	1,672
Weighted average number of ordinary shares in issue (units)	183,145,489	183,145,489
<b>Basic earnings per share (sen)</b>	<u>0.91</u>	<u>0.91</u>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share for the current quarter and financial period to date is based on the net profit attributable to shareholders and the adjusted weighted average number of ordinary shares in the respective periods as follows:

	<b>Current Quarter</b>	<b>Period To Date</b>
Net profit attributable to ordinary shares (RM'000)	1,672	1,672
Weighted average number of ordinary shares in issue (units)	183,145,489	183,145,489
Effect of Employees Share Option Scheme	8,687,373	8,687,373
Adjusted weighted average number of ordinary shares in issue (units)	<u>191,832,862</u>	<u>191,832,862</u>
<b>Diluted earnings per share (sen)</b>	<u>0.87</u>	<u>0.87</u>