

LNG RESOURCES BERHAD

(Company No. 582043-K)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2008

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, 2007. 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, 2007.

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, 2007.

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, 2007 except for the adoption of the following FRSs effective for financial period commencing on or after July 1, 2007:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 8	Scope of FRS 2 Share-based Payments

The adoption of the abovementioned FRSs, amendments to FRSs and Interpretations does not have significant financial impact on the Group except for:

FRS 112 Income Taxes

The revised FRS 112 requires that entities with unused reinvestment or other similar allowance in excess of the normal capital allowance will have to recognise deferred tax asset to the extent that it is probable that the future taxable profit will be available against which the unused reinvestment or other similar allowance can be utilised. The change in accounting policy has been accounted for retrospectively and certain comparatives have been restated as disclosed in Note A3.

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3. Comparatives

The comparative amounts have been restated following the adoption of the revised FRS 112:

	Previously stated RM'000	FRS 112 (Note 2) RM'000	Restated RM'000
Balance Sheet As of December 31, 2007			
Deferred tax liabilities	1,486	1,017	469
Retained profits	13,941	1,017	14,958
Income Statement for the 3 months ended June 30, 2007			
Tax expense	(192)	172	(20)
Net profit	1,221	172	1,393
Income Statement for the 6 months ended June 30, 2007			
Tax expense	(469)	460	(9)
Net profit	2,893	460	3,353

4. Audit Qualification

The audited financial statements for the year ended December 31, 2007 were not subject to any qualification.

5. Seasonal or Cyclical Factors

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

6. 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.

7. Material Changes in Estimates

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

8. Issuance and Repayment of Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

During the financial period, the Company repurchased 2,041,100 of its issued ordinary shares from the open market at an average price of RM0.23 per share. The total consideration paid for the repurchase including transaction costs was RM471,888 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

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9. Dividends Paid

A final dividend of 10%, tax-exempt, equivalent to 1 sen per share, amounting to RM1,873,718 in respect of financial year ended December 31, 2007 was paid by the Company on June 10, 2008 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on May 29, 2008.

10. Segmental Information

Segmental information in respect of the Group's business segments for the period ended June 30, 2008:

	Precision Engineering RM'000	Plastic Injection RM'000	Elimination RM'000	Group RM'000
Revenue				
- External customers	9,345	7,371	-	16,716
- Inter-segment	669	-	(669)	-
Total revenue	<u>10,014</u>	<u>7,371</u>	<u>(669)</u>	<u>16,716</u>
Segment results	2,664	664	147	3,475
Unallocated corporate expenses				(173)
Interest income				142
Finance costs				(78)
Profit before tax				<u>3,366</u>
Tax expense				(666)
Net profit				<u>2,700</u>

11. Valuation of Property, Plant and Equipment

Not applicable.

12. Material Events Subsequent to the End of the Interim Period

There was no material event subsequent to the current quarter ended June 30, 2008 that has not been reflected in this quarterly report.

13. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended June 30, 2008.

14. 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 June 30, 2008 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 RM3,523,000 as of the end of the financial period.

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15. Capital Commitments

The Group has the following capital commitment in respect of property, plant and equipment as at June 30, 2008:

	RM ('000)
Contracted but not provided for	<u>883</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 ended June 30, 2008 of RM16.716 million is higher than the revenue in the prior corresponding financial period ended June 30, 2007 of RM13.866 million. The profit before tax for the period ended June 30, 2008 amounted to RM3.366 million, which is approximate the profit before tax of RM3.362 million for the previous year's corresponding financial period.

The Group's revenue for the current quarter ended June 30, 2008 increased to RM8.272 million from RM6.964 million in the quarter ended June 30, 2007 while the profit before tax increased to RM1.527 million from RM1.413 million for the respective periods.

Though the Group's revenue improved compared to the previous year's corresponding period, the growth in revenue is mainly from precision plastic injection moulding division. As this division generates a lower profit margin, the Group's profit before tax for the six-month period ended June 30, 2008 was similar to the previous year's corresponding period notwithstanding the Group's improvement in revenue. The net profit of the Group is lower than the previous year's corresponding quarter/period due to higher tax provision.

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 RM1.527 million for the current quarter was lower than the pre-tax profit of RM1.839 million in the preceding quarter due to lower revenue generated in the current quarter.

3. Current Year Prospects

Barring any unforeseen circumstances, the Directors are of the opinion that the performance of the Group will be maintained in year 2008.

4. Variance of Actual Profit from Profit Forecast

Not applicable.

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5. Income Tax Expense

	Current Quarter RM'000	Period To Date RM'000
Income Tax	220	346
Deferred Tax	155	320
	375	666

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

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

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:

	<i>Short term RM'000</i>	<i>Long term RM'000</i>	<i>Total RM'000</i>
Term loan	1,038	611	1,649
Hire-purchase	492	1,012	1,504
Total	1,530	1,623	3,153

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 August 11, 2008 (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:

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	Currency	Amount in foreign currency (‘000)	Notional Amount (RM’000)
Forward foreign exchange contracts:			
Within 1 year	USD	92	299

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

The Company has not proposed or declared any dividend in the current financial period.

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:

	Current Quarter	Period To Date
Net profit attributable to ordinary shares (RM’000)	1,152	2,700
Weighted average number of ordinary shares in issue (units)	187,371,772	187,580,793
Basic earnings per share (sen)	0.615	1.439

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(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:

	Current Quarter	Period To Date
Net profit attributable to ordinary shares (RM'000)	1,152	2,700
Weighted average number of ordinary shares in issue (units)	187,371,772	187,580,793
Effect of Employees Share Option Scheme	83,963	165,594
Adjusted weighted average number of ordinary shares in issue (units)	187,455,735	187,746,387
Diluted earnings per share (sen)	0.614	1.438