LNG RESOURCES BERHAD
(Company No. 582043-K)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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

FRS 112 allows recognition of deferred tax asset on unutilised reinvestment allowances. However, for a more prudent practice, during the current quarter, the Group has decided to recognise such tax benefit in the income statement only when such allowances are utilised for income tax purposes. Consequently, there will be no recognition of deferred tax asset on the unutilised reinvestment allowances.

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement, which is effective for financial period commencing on or after January 1, 2010.

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

3. Audit Qualification

The audited financial statements for the year ended December 31, 2007 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 year under review.

6. Material Changes in Estimates

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

7. 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 year, 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.

8. 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.

9. Segmental Information

Segmental information in respect of the Group's business segments for the year ended December 31, 2008:

	Precision Engineering RM'000	Plastic Injection RM'000	Elimination RM'000	Group RM'000
Revenue				
- External customers	18,832	13,796	-	32,628
- Inter-segment	1,130	-	(1,130)	-
Total revenue	19,962	13,796	(1,130)	32,628
Segment results	5,105	627	221	5,953
Unallocated corporate expenses				(304)
Interest income				277
Finance costs				(170)
Profit before tax				5,756
Tax expense				(516)
Net profit				5,240

10. Valuation of Property, Plant and Equipment

Not applicable.

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

Save as disclosed below, there was no material event subsequent to the current quarter ended December 31, 2008 that has not been reflected in this quarterly report.

Subsequent to the end of the interim period, a subsidiary company has fully drawdown a hire-purchase facility of RM994,000 from a local financial institution. The said facility is secured by corporate guarantee from LNG.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended December 31, 2008.

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 December 31, 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 RM2,267,000 as of the end of the financial year.

14. Capital Commitments

The Group has the following capital commitment in respect of property, plant and equipment as at December 31, 2008:

	RM (‘000)
Contracted but not provided for	633

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 operated in a difficult and challenging economic environment with the global economy facing a recession during the financial year ended December 31, 2008 (FYE2008). The economic turmoil escalated in the fourth quarter of 2008 with many of our major export markets being hit with further declining economic growth and negative economic data, which ultimately affected consumer spending and sentiments. The manufacturing industry thus was not spared from this global downturn, with our key customers in the Connector, Semi-Conductor and Electronics industries being affected.

With this operating environment, the Group achieved a revenue of RM7.528 million for the current quarter ended December 31, 2008, which is marginally lower than the revenue for the quarter ended December 31, 2007 of RM7.702 million. The profit before tax for the current quarter ended December 31, 2008 however decreased to RM1.167 million from RM1.869 million in the quarter ended December 31, 2007, due to a decline in margins during the last quarter.

Overall, the Group achieved a revenue of RM32.628 million for FYE2008, which is higher than the revenue in the prior corresponding financial year ended December 31, 2007 (FYE2007) of RM28.344 million. This represents an improvement of approximately 15%. However, the profit before tax for FYE 2008 amounted to RM5.756 million, which is approximately 4.6% lower than the profit before tax of RM6.035 million for the previous year's corresponding financial year. This was mainly attributed to a decline in profit margin from the precision injection moulding division arising from the global economic downturn.

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

2. Comment on Material Change in Profit Before Tax

The pre-tax profit of RM1.167 million for the current quarter was lower than the pre-tax profit of RM1.223 million in the preceding quarter due to lower revenue and profit margins generated in the current quarter.

3. Current Year Prospects

The current financial year ending December 31, 2009 (FYE2009) will be a difficult and challenging year with the economic crisis affecting our local and export markets simultaneously. As a precision engineering services provider, the Group has strong linkages to the connector, electronics and semi-conductor industries. Given the poor economic factors and the weak outlook for these industries, the Directors are of the opinion that the performance of the Group will also be affected negatively for the FYE2009. The management will implement strategies such as cost containment measures during this period.

4. Variance of Actual Profit from Profit Forecast

Not applicable.

5. Income Tax Expense

	Current Quarter RM'000	**Year To Date RM'000**
Income Tax	95	575
Deferred Tax	(458)	(59)
	(363)	516

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 year-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 year-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:

	Short term RM'000	*Long term RM'000*	*Total RM'000*
Term loan	1,067	68	1,135
Hire-purchase	536	755	1,291
Total	1,603	823	2,426

10. Off Balance Sheet Financial Instruments

During the financial year, 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 February 19, 2009 (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	78	283

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

On February 24, 2009, the Board proposed a final tax-exempt dividend of 5% equivalent to 0.5 sen per share, in respect of financial year ended December 31, 2008 (2007: 1 sen per share, tax-exempt) which is to be approved by the shareholders at the forthcoming Annual General Meeting.

The total dividend for the financial year ended December 31, 2008, assuming that the proposed final tax-exempt dividend of 5% is approved by the shareholders, is 0.5 sen per share (2007: 1.5 sen per share, tax-exempt).

13. Earnings Per Share

Basic earnings per ordinary share

The calculation of basic earnings per share for the current quarter and financial year 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	**Year To Date**
Net profit attributable to ordinary shares (RM'000)	1,530	5,240
Weighted average number of ordinary shares in issue (units)	187,371,772	187,475,712
Basic earnings per share (sen)	0.82	2.80

Diluted earnings per ordinary share

There is no dilution in the earnings per share of the Company as the market price of the Company's ordinary shares as at balance sheet date is lower than the exercise price.