

# **LNG RESOURCES BERHAD**

(Company No. 582043-K)

(Incorporated in Malaysia)

## **UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2009**

### **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, 2008. 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, 2008.

#### **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, 2008.

As at March 31, 2009, the following FRSs and IC Interpretations have been issued but not yet effective, and therefore have not been applied by the Group and the Company:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

FRS 4 is not relevant to the Group’s and the Company’s operations.

The new FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The possible impact of applying FRS 7 and FRS 139 on the financial statements upon their initial application are not disclosed by virtue of the exemptions given in the respective standards.

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

The audited financial statements for the year ended December 31, 2008 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.

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**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**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review.

**8. Dividends Paid**

There were no dividends paid for the period under review.

**9. Segmental Information**

Segmental information in respect of the Group's business segments for the period ended March 31, 2009:

	<b>Precision Engineering RM'000</b>	<b>Plastic Injection RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>				
- External customers	2,734	2,656	-	5,390
- Inter-segment	71	-	(71)	-
<b>Total revenue</b>	<u>2,805</u>	<u>2,656</u>	<u>(71)</u>	<u>5,390</u>
<b>Segment results</b>	(9)	79	59	129
Unallocated corporate expenses				(72)
Interest income				52
Finance costs				<u>(50)</u>
<b>Profit before tax</b>				59
Tax expense				<u>(15)</u>
<b>Net profit</b>				<u><u>44</u></u>

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

Not applicable.

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

There was no material event subsequent to the current quarter ended March 31, 2009 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, 2009.

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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, 2009 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 RM2,854,000 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 March 31, 2009:

	RM ('000)
Contracted but not provided for	<u>574</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 achieved a revenue of RM5.390 million for the current quarter ended March 31, 2009, which is lower than the revenue for the quarter ended March 31, 2008 of RM8.444 million. The profit before tax for the current quarter ended March 31, 2009 decreased to RM0.059 million from RM1.839 million in the quarter ended March 31, 2008.

The current economic crisis has severely affected the connectors and semiconductor industries which support the electrical and electronics (E&E) industries. Weakening global demand for consumer E&E goods such as personal computers, cell phones, consumer electronics and corporate information technology products and automobiles has resulted in a sharp drop in connector and semiconductor industry sales.

The severity of this global economic recession is unprecedented in our Group's operating history. Though the Group has faced recessions in the past, the recessions were mainly contained within certain parts of the world. The Group had weathered past recessions due to its good mix of export markets in Europe, Japan, Malaysia and USA. Should one export market face a recession, the other markets were able to provide a safety net for the Group to rely on for its sales. The current financial turmoil, however, is a global phenomenon whereby all our customers in different industry sectors and geographical regions are affected simultaneously.

The worldwide electronics connector market is forecasted to decline nearly 15% in 2009 because of the economic downturn, according to researcher Bishop & Associates. Revenue for connector manufacturers are forecasted to drop from US\$43.9 billion in 2008 to US\$37.4 billion in 2009, a decline of 14.7%.

According to the Semiconductor Industry Association, worldwide sales of semiconductors were US\$14.7 billion in March 2009, a gain of 3.3% from the prior month when sales were US\$14.2 billion, the Semiconductor Industry Association (SIA) reported today. Sales for the first quarter of 2009 amounted to US\$44.0 billion, a 29.9% decline from the first quarter of 2008 when sales were

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US\$62.8 billion. Sales declined by 15.7% from the fourth quarter of 2008 when sales were US\$52.2 billion.

As the Group's customers are mainly in the connector, semiconductor and E&E industries, the Group's revenue was affected significantly in the current quarter due to the sharp downturn in the first quarter of 2009. The operating profits declined due to the lower revenue generated in the quarter.

There are no other material factors which have affected the revenue and profit before tax of the Group for the current quarter.

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

The pre-tax profit of RM0.059 million for the current quarter was lower than the pre-tax profit of RM1.167 million in the preceding quarter due to lower revenue generated in the current quarter.

### 3. Current Year Prospects

Given the poor economic factors and the weak outlook for the connector, semiconductor and electronics and electrical industries, the Directors are of the opinion that the performance of the Group will also be weaker in the FYE2009 compared to previous financial year.

The Group will implement the following strategies to mitigate the current downturn:

- (i) Cost containment exercise to reduce operating costs.
- (ii) Invest in research and development into designing and fabricating fine pitch high speed connector moulds that will be used in high speed servers.
- (iii) Collaborations with our key customers in development of new fine pitch connector moulds and toolings to manufacture fine pitch connectors.

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

Not applicable.

### 5. Income Tax Expense

	Current Quarter RM'000	Period To Date RM'000
Income Tax	13	13
Deferred Tax	2	2
	<u>15</u>	<u>15</u>

The effective tax rate of the Group approximate the statutory tax rate of 25%.

### 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.

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### 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</i> <i>RM'000</i>	<i>Long term</i> <i>RM'000</i>	<i>Total</i> <i>RM'000</i>
Term loan	873	-	873
Hire-purchase	825	1,257	2,082
Total	1,698	1,257	2,955

### 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 18, 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:

	<b>Currency</b>	<b>Amount in foreign currency (‘000)</b>	<b>Notional Amount (RM'000)</b>
Forward foreign exchange contracts:			
Within 1 year	USD	33	116

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.

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**12. Dividends**

The Board of Directors do not recommend any dividend for the period under review.

**13. Earnings Per Share*****Basic earnings per ordinary share***

The calculation of basic earnings per share for the current quarter and financial period to date is based on the 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>
Profit attributable to ordinary shares (RM'000)	44	44
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
<b>Basic earnings per share (sen)</b>	<u>0.02</u>	<u>0.02</u>

***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.