



# LNG RESOURCES BERHAD

(Company No: 582043-K)  
(Incorporated in Malaysia)

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

|   | Individual Quarter                              |  | Cumulative Quarter                              |   |
|---|---|--|---|---|
|   | Current Year<br>Quarter<br>30.06.2010<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>30.06.2009<br>RM'000 | Current Year To<br>Date<br>30.06.2010<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>30.06.2009<br>RM'000 |
| Revenue   | 9,457   | 6,143  | 18,691  | 11,533  |
| Cost of sales   | (7,519)   | (5,318)  | (14,681)  | (10,139)  |
| Gross profit  | 1,938   | 825  | 4,010   | 1,394   |
| Other income  | 89  | 88   | 220   | 169   |
| Other expenses  | (714)   | (635)  | (1,421)   | (1,176)   |
| Finance costs   | (26)  | (48)   | (52)  | (98)  |
| Profit before tax   | 1,287   | 230  | 2,757   | 289   |
| Income tax expense  | (92)  | (75)   | (367)   | (90)  |
| Profit for the period   | 1,195   | 155  | 2,390   | 199   |
| Other comprehensive<br>income for the period                              | -   | -  | -   | -   |
| Total comprehensive<br>income for the period                              | 1,195   | 155  | 2,390   | 199   |
| Profit for the period<br>attributable to owners<br>of the Company         | 1,195   | 155  | 2,390   | 199   |
| Total comprehensive<br>income attributable<br>to owners of the<br>Company | 1,195   | 155  | 2,390   | 199   |
| Earnings per share<br>attributable to owners<br>of the Company (sen)      |   |  |   |   |
| - Basic   | 0.64  | 0.08   | 1.28  | 0.11  |
| - Diluted   | -   | -  | -   | -   |

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | As at 30.06.2010<br>(UNAUDITED)<br>RM'000 | As at 31.12.2009<br>(AUDITED)<br>RM'000 |
|--|---|---|
| <b>ASSETS</b>  |   |   |
| <b>Non-current assets</b>  |   |   |
| Property, plant and equipment                                      | 23,347                                    | 23,755                                  |
| Prepaid lease payments   | 2,619                                     | 2,672                                   |
|  | <u>25,966</u>                             | <u>26,427</u>                           |
| <b>Current assets</b>  |   |   |
| Inventories  | 3,818                                     | 3,505                                   |
| Trade receivables  | 9,974                                     | 10,697                                  |
| Other receivables and prepaid expenses                             | 942                                       | 430                                     |
| Derivatives  | 7   | -                                       |
| Cash and bank balances   | 11,949                                    | 10,945                                  |
|  | <u>26,690</u>                             | <u>25,577</u>                           |
| <b>TOTAL ASSETS</b>  | <u>52,656</u>                             | <u>52,004</u>                           |
| <b>EQUITY AND LIABILITIES</b>                                      |   |   |
| <b>Equity attributable to owners of the Company</b>                |   |   |
| Share capital  | 18,982                                    | 18,982                                  |
| Treasury shares  | (567)                                     | (567)                                   |
| Share premium  | 5,828                                     | 5,828                                   |
| Retained earnings  | 19,970                                    | 17,580                                  |
|  | <u>44,213</u>                             | <u>41,823</u>                           |
| <b>Non-current liabilities</b>                                     |   |   |
| Borrowings   | 229                                       | 615                                     |
| Deferred tax liabilities   | 1,424                                     | 1,378                                   |
|  | <u>1,653</u>                              | <u>1,993</u>                            |
| <b>Current liabilities</b>   |   |   |
| Trade payables   | 2,912                                     | 3,244                                   |
| Other payables and accrued expenses                                | 2,986                                     | 4,004                                   |
| Borrowings   | 813                                       | 919                                     |
| Tax liabilities  | 79  | 21                                      |
|  | <u>6,790</u>                              | <u>8,188</u>                            |
| <b>Total liabilities</b>   | <u>8,443</u>                              | <u>10,181</u>                           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                | <u>52,656</u>                             | <u>52,004</u>                           |
| Net assets per share attributable to owners<br>of the Company (RM) | <u>0.24</u>                               | <u>0.22</u>                             |

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying notes attached to the interim financial statements.



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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

|   | Attributable to Owners of the Company |   |                            |   | Total Equity<br>RM'000 |
|---|---------------------------------------|---|----------------------------|---|------------------------|
|   | Share<br>Capital<br>RM'000            | Non-distributable<br>Treasury<br>Shares<br>RM'000 | Share<br>Premium<br>RM'000 | Distributable<br>Retained<br>Earnings<br>RM'000 |                        |
| <b>At 1 January 2010</b>                  | 18,982                                | (567)   | 5,828                      | 17,580  | 41,823                 |
| Total comprehensive income for the period | -                                     | -   | -                          | 2,390   | 2,390                  |
| <b>At 30 June 2010</b>                    | 18,982                                | (567)   | 5,828                      | 19,970  | 44,213                 |
| <b>At 1 January 2009</b>                  | 18,982                                | (567)   | 5,828                      | 17,308  | 41,551                 |
| Total comprehensive income for the period | -                                     | -   | -                          | 199   | 199                    |
| Dividends to owners                       | -                                     | -   | -                          | (937)   | (937)                  |
| <b>At 30 June 2009</b>                    | 18,982                                | (567)   | 5,828                      | 16,570  | 40,813                 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



# LNG RESOURCES BERHAD

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

|   | Six Months Ended |            |
|---|------------------|------------|
|   | 30.06.2010       | 30.06.2009 |
|   | RM'000           | RM'000     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                  |            |
| Profit before tax                                       | 2,757            | 289        |
| Adjustments for:  |                  |            |
| Non-cash items  | 1,959            | 1,934      |
| Non-operating items                                     | (78)             | (32)       |
| Operating Profit Before Working Capital Changes         | 4,638            | 2,191      |
| Changes in working capital                              |                  |            |
| Net change in current assets                            | 234              | 1,994      |
| Net change in current liabilities                       | (1,242)          | (1,133)    |
| Interest paid   | (39)             | (84)       |
| Income tax paid   | (339)            | (292)      |
| Income tax refunded                                     | -                | 289        |
| Net Cash From Operating Activities                      | 3,252            | 2,965      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                  |            |
| Property, plant and equipment                           | (1,872)          | (1,145)    |
| Interest received                                       | 116              | 99         |
| Net Cash Used In Investing Activities                   | (1,756)          | (1,046)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                  |            |
| Bank borrowings   | (492)            | (931)      |
| Dividends paid  | -                | (937)      |
| Net Cash Used In Financing Activities                   | (492)            | (1,868)    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>        | 1,004            | 51         |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b> | 10,945           | 11,893     |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>       | 11,949           | 11,944     |
| Cash and cash equivalents comprise of:                  |                  |            |
| Cash and bank balances                                  | 11,949           | 11,944     |

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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(Incorporated in Malaysia)

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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### A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134 – INTERIM FINANCIAL REPORTING

#### A1. Basis of Preparation

The condensed consolidated 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 ACE Market.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the condensed consolidated 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 31 December 2009.

#### A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following FRSs, Amendments and Interpretations effective for financial period beginning 1 January 2010:

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs "Improvements to FRSs (2009)"
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment



# LNG RESOURCES BERHAD

(Company No: 582043-K)  
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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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### A2. Changes in Accounting Policies (cont'd)

- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these standards, amendments and interpretations do not have a material impact on the interim financial statements of the Group except for the following:

#### FRS 101: Presentation of Financial Statements (revised)

With the adoption of the revised FRS 101, all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The consolidated statement of changes in equity only includes details of transactions with owners. The adoption of this standard does not have any impact on the financial position and results of the Group.

#### FRS 139: Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are recognised on contract date and categorised as fair value through profit or loss.

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. The adoption of FRS 139 does not have any significant impact on the results of the Group.

### A3. Auditors' Report on Preceding Annual Financial Statements

The audited financial statements for the year ended 31 December 2009 were not subject to any qualification.

### A4. Seasonal or Cyclical Factors

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

### A5. 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.



# LNG RESOURCES BERHAD

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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

### A6. Material Changes in Estimates

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

### A7. 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.

### A8. Dividends Paid

There were no dividends paid for the period under review.

### A9. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 30 June 2010:

|                                | Precision<br>Engineering<br>RM'000 | Plastic<br>Injection<br>RM'000 | Elimination<br>RM'000 | Group<br>RM'000 |
|--------------------------------|------------------------------------|--------------------------------|-----------------------|-----------------|
| <b>Revenue</b>                 |                                    |                                |                       |                 |
| - External customers           | 7,946                              | 10,745                         | -                     | 18,691          |
| - Inter-segment                | 358                                | -                              | (358)                 | -               |
| <b>Total revenue</b>           | <u>8,304</u>                       | <u>10,745</u>                  | <u>(358)</u>          | <u>18,691</u>   |
| <b>Segment results</b>         | 1,170                              | 1,550                          | 141                   | 2,861           |
| Unallocated corporate expenses |                                    |                                |                       | (169)           |
| Interest income                |                                    |                                |                       | 117             |
| Finance costs                  |                                    |                                |                       | (52)            |
| <b>Profit before tax</b>       |                                    |                                |                       | <u>2,757</u>    |
| Tax expense                    |                                    |                                |                       | (367)           |
| <b>Profit for the period</b>   |                                    |                                |                       | <u>2,390</u>    |

### A10. Valuation of Property, Plant and Equipment

Not applicable.

### A11. Material Events Subsequent to the End of the Interim Period

There was no material event subsequent to the current quarter ended 30 June 2010 that has not been reflected in this quarterly report.



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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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### A12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 June 2010.

### A13. 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 30 June 2010 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 RM1,183,000 as of the end of the financial period.

### A14. Capital Commitments

The Group has the following capital commitment in respect of property, plant and equipment as at 30 June 2010:

|                                 | <b>RM'000</b> |
|---------------------------------|---------------|
| Contracted but not provided for | <u>2,090</u>  |





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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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

#### **B1. Performance Review**

The Group's revenue for the current financial period ended 30 June 2010 of RM18.691 million is higher than the revenue in the prior corresponding financial period ended 30 June 2009 of RM11.533 million. The profit before tax for the period ended 30 June 2010 amounted to RM2.757 million, which is also higher than the profit before tax of RM0.289 million for the previous year's corresponding financial period.

The Group achieved a revenue of RM9.457 million for the current quarter ended 30 June 2010, which is higher than the revenue for the quarter ended 30 June 2009 of RM6.143 million. The profit before tax for the current quarter ended 30 June 2010 increased to RM1.287 million from RM0.230 million in the quarter ended 30 June 2009.

The significant increase in revenue and profit before tax was mainly due to the recovery in the connectors, semiconductor and the electrical and electronics (E&E) industries this year. Both the Group's Precision Engineering and Plastics Injection Moulding Divisions registered growth in revenue. The Precision Plastics Injection Moulding Division's higher revenue was attributable to higher orders in its injection and over moulding services. The Precision Engineering Division also experienced more new mould orders from its customers in the current period in addition to higher mould and toolings maintenance orders.

Due to the improved performance, the Group's operating cash flow improved to RM3.252 million for the 6 months period ended 30 June 2010. After utilising RM1.756 million for investing activities and repayment of bank borrowings amounting to RM0.492 million, the Group's cash and cash equivalents increased by RM1.0 million to RM11.949 million as at 30 June 2010.

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

#### **B2. Comment on Material Change in Profit Before Tax**

The pre-tax profit remained at approximately RM1.195 million for the current and previous quarters.

#### **B3. Current Year Prospects**

Barring any unforeseen circumstances, the Directors are of the opinion that the performance of the Group for the financial year ending 31 December 2010 will be better than that of 2009.



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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

### B4. Variance of Actual Profit from Profit Forecast

Not applicable.

### B5. Income Tax Expense

|              | Current Quarter<br>RM'000 | Period To Date<br>RM'000 |
|--------------|---------------------------|--------------------------|
| Income Tax   | 26                        | 321                      |
| Deferred Tax | 66                        | 46                       |
|              | <u>92</u>                 | <u>367</u>               |

The effective tax rate of the Group is lower than the statutory tax rate of 25% due to the utilisation of reinvestment allowance to partially offset the taxable profit of the Group.

### B6. 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.

### B7. 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.

### B8. Status of Corporate Proposals

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

### B9. 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<br>RM'000 | Long term<br>RM'000 | Total<br>RM'000 |
|---------------|----------------------|---------------------|-----------------|
| Hire purchase | 813                  | 229                 | <u>1,042</u>    |



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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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### **B10. Derivative Financial Instruments**

With the adoption of FRS 139, financial derivatives are recognised at contract dates.

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

As at 30 June 2010, total contract value and fair value of the Group's outstanding forward foreign exchange contracts stood at RM328,000 and RM321,000 respectively, all of which had maturity of less than one year. The cash requirements relating to these contracts is RM328,000.

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

### **B11. 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.

### **B12. Dividends**

On 19 August 2010, the Company declared an interim tax-exempt dividend of 10% equivalent to 1.0 sen per share in respect of financial year ending 31 December 2010, to be paid on 21 September 2010 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 7 September 2010.



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(Company No: 582043-K)  
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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

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### B13. Earnings Per Share

#### *Basic earnings per ordinary share*

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

|  | <b>Current<br/>Quarter</b> | <b>Period To<br/>Date</b> |
|--|----------------------------|---------------------------|
| Profit attributable to owners of the Company<br>(RM'000)       | 1,195                      | 2,390                     |
| Weighted average number of ordinary<br>shares in issue (units) | <u>187,371,772</u>         | <u>187,371,772</u>        |
| <b>Basic earnings per ordinary share (sen)</b>                 | <u>0.64</u>                | <u>1.28</u>               |

#### *Diluted earnings per ordinary share*

There is no dilution in the earnings per ordinary share of the Company as the market price of the Company's ordinary shares as at the end of the reporting period is lower than the exercise price.