



# LNG RESOURCES BERHAD

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2011

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2011 RM'000	Preceding Year Corresponding Quarter 30.06.2010 RM'000	Current Year To Date 30.06.2011 RM'000	Preceding Year Corresponding Period 30.06.2010 RM'000
Revenue	9,876	9,457	19,395	18,691
Cost of sales	(7,331)	(7,519)	(14,209)	(14,681)
Gross profit	2,545	1,938	5,186	4,010
Other income	149	89	315	220
Other expenses	(899)	(714)	(1,744)	(1,421)
Finance costs	(21)	(26)	(46)	(52)
Profit before tax	1,774	1,287	3,711	2,757
Income tax expense	(312)	(92)	(641)	(367)
Profit for the period	1,462	1,195	3,070	2,390
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	1,462	1,195	3,070	2,390
Profit for the period attributable to owners of the Company	1,462	1,195	3,070	2,390
Total comprehensive income attributable to owners of the Company	1,462	1,195	3,070	2,390
Earnings per share attributable to owners of the Company (sen)				
- Basic	0.78	0.64	1.64	1.28
- Diluted	0.77	-	1.61	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2011

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.06.2011 (UNAUDITED) RM'000	As at 31.12.2010 (AUDITED) RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	24,946	24,724
Prepaid lease payments	2,514	2,567
	<u>27,460</u>	<u>27,291</u>
<b>Current assets</b>		
Inventories	4,324	4,417
Trade receivables	9,276	9,613
Other receivables and prepaid expenses	366	538
Derivatives	1	-
Cash and bank balances	11,155	10,818
	<u>25,122</u>	<u>25,386</u>
<b>TOTAL ASSETS</b>	<u>52,582</u>	<u>52,677</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	20,330	19,134
	<u>44,573</u>	<u>43,377</u>
<b>Non-current liabilities</b>		
Borrowings	436	523
Deferred tax liabilities	1,445	1,471
	<u>1,881</u>	<u>1,994</u>
<b>Current liabilities</b>		
Trade payables	1,749	1,957
Other payables and accrued expenses	3,942	4,655
Borrowings	339	692
Tax liabilities	98	2
	<u>6,128</u>	<u>7,306</u>
<b>Total liabilities</b>	<u>8,009</u>	<u>9,300</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>52,582</u>	<u>52,677</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.24</u>	<u>0.23</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2011

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

	Share Capital RM'000	Attributable to Owners of the Company			Total Equity RM'000
		Non-distributable Treasury Shares RM'000	Share Premium RM'000	Distributable Retained Earnings RM'000	
<b>At 1 January 2011</b>	18,982	(567)	5,828	19,134	43,377
Total comprehensive income for the period	-	-	-	3,070	3,070
Dividends to owners	-	-	-	(1,874)	(1,874)
<b>At 30 June 2011</b>	<u>18,982</u>	<u>(567)</u>	<u>5,828</u>	<u>20,330</u>	<u>44,573</u>
<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>	<u>18,982</u>	<u>(567)</u>	<u>5,828</u>	<u>19,970</u>	<u>44,213</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2011

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

	Six Months Ended	
	30.06.2011	30.06.2010
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,711	2,757
Adjustments for:		
Non-cash items	2,101	1,959
Non-operating items	(104)	(78)
Operating Profit Before Working Capital Changes	5,708	4,638
Changes in working capital		
Net change in current assets	406	234
Net change in current liabilities	(1,749)	(1,242)
Interest paid	(28)	(39)
Income tax paid	(438)	(339)
Net Cash From Operating Activities	3,899	3,252
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment	(1,380)	(1,872)
Interest received	132	116
Net Cash Used In Investing Activities	(1,248)	(1,756)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bank borrowings	(440)	(492)
Dividends paid	(1,874)	-
Net Cash Used In Financing Activities	(2,314)	(492)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	337	1,004
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	10,818	10,945
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	11,155	11,949
Cash and cash equivalents comprise of:		
Cash and bank balances	11,155	11,949

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 2011

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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 ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. 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 2010.

#### 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 2010, except for the adoption of the following FRSS, Amendments and IC Interpretations:

*Effective for financial periods beginning on or after 1 March 2010*

- Amendments to FRS 132 : Financial Instruments : Presentation (Classification of Rights Issues)

*Effective for financial periods beginning on or after 1 July 2010*

- FRS1 (Revised) : First-time Adoption of Financial Reporting Standards
- FRS 3 (Revised) : Business Combinations
- FRS 127 (Revised) : Consolidated and Separate Financial Statements
- Amendments to FRS 2 : Share-based Payment
- Amendments to FRS 5 : Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138 : Intangible Assets
- IC Interpretation 12 : Service Concession Arrangements
- IC Interpretation 16 : Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17 : Distributions of Non-cash Assets to Owners
- Amendments to IC Interpretation 9 : Reassessment of Embedded Derivatives



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

*Effective for financial periods beginning on or after 1 January 2011*

- Amendments to FRS 1 (Revised) : Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1 : Additional Exemptions for First-time Adopters
- Amendments to FRS 2 : Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 7 : Improving Disclosures about Financial Instruments
- Amendments to FRSs "Improvements to FRSs (2010)"
- IC Interpretation 4 : Determining whether an Arrangement Contains a Lease
- IC Interpretation 18 : Transfers of Assets from Customers

The Directors expect that the adoption of the above FRSs, Amendments and IC Interpretations will not result in any significant changes in the accounting policies and will not have any significant effect on the financial position, results and disclosures in the financial statements of the Group and the Company in the period of initial application except for the following:

- FRS 3 (Revised) introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised Standard will be applied prospectively and therefore, may impact the accounting for future transactions or arrangements.
- FRS 127 (Revised) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised Standard also requires all losses attributable to the minority interests to be absorbed by the minority interests instead of by the parent. This revised Standard will be applied prospectively and therefore, may impact the accounting for future transactions or arrangements.
- Amendments to FRS 7 requires enhanced disclosures about fair value measurements and liquidity risk, which includes disclosures of fair value measurements by level of a fair value measurement hierarchy and a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

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

The audited financial statements for the year ended 31 December 2010 were not subject to any qualification.



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### A4. Seasonal or Cyclical Factors

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

### A5. Unusual Items

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

### A6. Changes in Estimates

There were no changes in estimates that have had a material effect for the period under review.

### A7. Debt and Equity Securities

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

### A8. Dividends Paid

A special dividend of 10%, tax-exempt, equivalent to 1.0 sen per ordinary share, amounting to RM1,873,718 in respect of financial year ended 31 December 2010 was paid by the Company on 23 March 2011.

### A9. Segmental Information

Segmental information in respect of the Group's operating segments for the period ended 30 June 2011 was as follows:

	<b>Precision Engineering RM'000</b>	<b>Precision Plastic Injection Moulding RM'000</b>	<b>Total RM'000</b>
External revenue	9,670	9,725	19,395
Inter-segment revenue	656	-	656
Segment profit	3,409	2,423	5,832



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### A9. Segmental Information (cont'd)

Reconciliation of reportable segment profit:

	Period Ended 30 June 2011 RM'000
Total profit for reportable segments	5,832
Elimination of inter-segment profits	77
Depreciation and amortisation	(2,108)
Finance costs	(46)
Interest income	132
Other non-reportable segments	<u>(176)</u>
Consolidated profit before tax	<u>3,711</u>

### A10. Events after the End of the Interim Period

There were no events after the current period ended 30 June 2011 that has not been reflected in this quarterly report.

### A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current period ended 30 June 2011.

### A12. Capital Commitments

The Group has the following capital commitments in respect of property, plant and equipment as at 30 June 2011:

	RM'000
Contracted but not provided for	<u>111</u>

### A13. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets arising since the end of the last annual reporting period.





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

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

The Group's revenue for the current financial period ended 30 June 2011 of RM19.395 million was higher than the revenue in the prior corresponding financial period ended 30 June 2010 of RM18.691 million. The profit before tax for the period ended 30 June 2011 amounted to RM3.711 million, representing an increase of 34.6% from RM2.757 million recorded in the previous year's corresponding financial period.

The Group achieved a revenue of RM9.876 million for the current quarter ended 30 June 2011, which was 4.4% higher than the revenue for the quarter ended 30 June 2010 of RM9.457 million. The profit before tax for the current quarter ended 30 June 2011 increased by 37.8% to RM1.774 million from RM1.287 million in the quarter ended 30 June 2010.

The increase in revenue for the current quarter and financial period to date was mainly from the precision engineering division. Revenue for the precision plastic injection moulding division decreased as this division received components on consignment basis and charged its customers for its value-added services only in the current quarter and financial period to date.

Profit before tax for the current quarter and financial period to date have improved due to the increase in profits in both the precision engineering division and the precision plastic injection moulding division as a result of higher sales volume of business.

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

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

The Group recorded a profit before tax of RM1.774 million for the current quarter, a decrease of 8.4% from RM1.937 million achieved in the preceding quarter ended 31 March 2011 due to lower revenue from the precision plastic injection moulding division.

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

The global economy for the second half of year 2011 is expected to be more turbulent and uncertain. Hence, the Group is expected to operate in a more challenging economy environment as the global economy may weaken.



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

Not applicable.

### B5. Income Tax Expense

	Current Quarter RM'000	Period To Date RM'000
Income Tax	339	667
Deferred Tax	(27)	(26)
	<u>312</u>	<u>641</u>

The effective tax rate of the Group was 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 investments and/or properties for the current quarter and 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 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 were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Hire purchase	<u>339</u>	<u>436</u>	<u>775</u>



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### B10. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, was as follows:

	As at 30 June 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	21,775	20,605
- Unrealised	(1,445)	(1,471)
Total Group retained profits as per consolidated accounts	<u>20,330</u>	<u>19,134</u>

### B11. Derivative Financial Instruments

During the financial period, the Group entered into forward foreign currency contracts to minimise its exposures to currency risk for receivables which are denominated in currencies other than the functional currency of the Group. Forward foreign currency contracts are recognised at contract dates and are measured at fair values with changes in fair values recognised in profit or loss.

As at 30 June 2011, total contract value and fair value of the Group's outstanding forward foreign currency contracts stood at RM304,200 and RM1,094 respectively, all of which had maturity of less than one year.

The Group does not foresee any significant credit risk posed by the above derivative financial instruments as the forward foreign currency contracts were entered into with reputable banks. The cash requirement for settling these forward foreign currency contracts was mainly from the Group's working capital.

### B12. Gains/Losses arising from Fair Value Changes of Financial Liabilities

There were no gains or losses arising from fair value changes of financial liabilities for the current quarter and financial period to date.

### B13. 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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### B14. Dividends

On 18 August 2011, the Board of Directors declared an interim tax-exempt dividend of 10% equivalent to 1.0 sen per share in respect of financial year ending 31 December 2011, to be paid on 22 September 2011 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 9 September 2011.

### B15. 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 was 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 Quarter</b>	<b>Period To Date</b>
Profit attributable to owners of the Company (RM'000)	1,462	3,070
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
<b>Basic earnings per ordinary share (sen)</b>	<u>0.78</u>	<u>1.64</u>

#### **Diluted earnings per ordinary share**

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

	<b>Current Quarter</b>	<b>Period To Date</b>
Profit attributable to owners of the Company (RM'000)	1,462	3,070
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Effect of share options	2,247,391	3,010,227
Adjusted weighted average number of ordinary shares in issue (units)	<u>189,619,163</u>	<u>190,381,999</u>
<b>Diluted earnings per ordinary share (sen)</b>	<u>0.77</u>	<u>1.61</u>