



LNG RESOURCES BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2011 RM'000	Preceding Year Corresponding Quarter 30.09.2010 RM'000	Current Year To Date 30.09.2011 RM'000	Preceding Year Corresponding Period 30.09.2010 RM'000
Revenue	7,476	8,168	26,871	26,859
Cost of sales	(6,619)	(6,635)	(20,828)	(21,316)
Gross profit	857	1,533	6,043	5,543
Other income	197	139	512	359
Other expenses	(872)	(719)	(2,616)	(2,140)
Finance costs	(13)	(21)	(59)	(73)
Profit before tax	169	932	3,880	3,689
Income tax expense	(18)	(122)	(659)	(489)
Profit for the period	151	810	3,221	3,200
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	151	810	3,221	3,200
Profit for the period attributable to owners of the Company	151	810	3,221	3,200
Total comprehensive income attributable to owners of the Company	151	810	3,221	3,200
Earnings per share attributable to owners of the Company (sen)				
- Basic	0.08	0.43	1.72	1.71
- Diluted	0.08	-	1.70	-

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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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.09.2011 (UNAUDITED) RM'000	As at 31.12.2010 (AUDITED) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	24,171	24,724
Prepaid lease payments	2,488	2,567
	<u>26,659</u>	<u>27,291</u>
Current assets		
Inventories	3,599	4,417
Trade receivables	8,010	9,613
Other receivables and prepaid expenses	429	538
Cash and bank balances	11,191	10,818
	<u>23,229</u>	<u>25,386</u>
TOTAL ASSETS	<u>49,888</u>	<u>52,677</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	18,982	18,982
Treasury shares	(567)	(567)
Share premium	5,828	5,828
Retained earnings	18,608	19,134
	<u>42,851</u>	<u>43,377</u>
Non-current liabilities		
Borrowings	408	523
Deferred tax liabilities	1,401	1,471
	<u>1,809</u>	<u>1,994</u>
Current liabilities		
Trade payables	897	1,957
Other payables and accrued expenses	3,828	4,655
Derivatives	18	-
Borrowings	237	692
Tax liabilities	248	2
	<u>5,228</u>	<u>7,306</u>
Total liabilities	<u>7,037</u>	<u>9,300</u>
TOTAL EQUITY AND LIABILITIES	<u>49,888</u>	<u>52,677</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.23</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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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	
At 1 January 2011	18,982	(567)	5,828	19,134	43,377
Total comprehensive income for the period	-	-	-	3,221	3,221
Dividends to owners	-	-	-	(3,747)	(3,747)
At 30 September 2011	<u>18,982</u>	<u>(567)</u>	<u>5,828</u>	<u>18,608</u>	<u>42,851</u>
At 1 January 2010	18,982	(567)	5,828	17,580	41,823
Total comprehensive income for the period	-	-	-	3,200	3,200
Dividends to owners	-	-	-	(1,874)	(1,874)
At 30 September 2010	<u>18,982</u>	<u>(567)</u>	<u>5,828</u>	<u>18,906</u>	<u>43,149</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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Nine Months Ended	
	30.09.2011	30.09.2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,880	3,689
Adjustments for:		
Non-cash items	3,103	3,008
Non-operating items	(177)	(186)
Operating Profit Before Working Capital Changes	6,806	6,511
Changes in working capital		
Net change in current assets	2,563	1,848
Net change in current liabilities	(2,035)	(2,061)
Interest paid	(35)	(54)
Income tax paid	(456)	(537)
Net Cash From Operating Activities	6,843	5,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment	(2,375)	(3,074)
Interest received	222	183
Net Cash Used In Investing Activities	(2,153)	(2,891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	(570)	(709)
Dividends paid	(3,747)	(1,874)
Net Cash Used In Financing Activities	(4,317)	(2,583)
NET INCREASE IN CASH AND CASH EQUIVALENTS	373	233
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,818	10,945
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,191	11,178
Cash and cash equivalents comprise of:		
Cash and bank balances	11,191	11,178

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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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, amounted to RM1,873,718 in respect of financial year ended 31 December 2010 was paid by the Company on 23 March 2011.

A first interim dividend of 10%, tax-exempt, equivalent to 1.0 sen per ordinary share, amounted to RM1,873,718 in respect of financial year ending 31 December 2011 was paid by the Company on 22 September 2011.

A9. Segmental Information

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

	Precision Engineering RM'000	Precision Plastic Injection Moulding RM'000	Total RM'000
External revenue	13,644	13,227	26,871
Inter-segment revenue	951	-	951
Segment profit	4,339	2,678	7,017



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A9. Segmental Information (cont'd)

Reconciliation of reportable segment profit:

	Period Ended 30 September 2011 RM'000
Total profit for reportable segments	7,017
Elimination of inter-segment profits	112
Depreciation and amortisation	(3,159)
Finance costs	(59)
Interest income	212
Other non-reportable segments	<u>(243)</u>
Consolidated profit before tax	<u><u>3,880</u></u>

A10. Events after the End of the Interim Period

There were no events after the current period ended 30 September 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 September 2011.

A12. Capital Commitments

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

	RM'000
Contracted but not provided for	<u>690</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

Operating Environment

The LNG Group operated in a more challenging business operating environment during the third quarter of 2011. Continuing uncertainties in financial markets, unfavourable fiscal conditions and weaknesses in labour markets in the advanced economies continued to pose risks to growth in emerging economies, such as Malaysia. The connector and semiconductor industries generally are facing a slowdown in growth for the second half of 2011 due to the weaker global economic environment.

Financial Performance

The Group's revenue for the current financial period ended 30 September 2011 of RM26.871 million was slightly higher than the revenue in the prior corresponding financial period ended 30 September 2010 of RM26.859 million. The profit before tax for the period ended 30 September 2011 amounted to RM3.880 million, representing an increase of 5.2% from RM3.689 million recorded in the previous year's corresponding financial period.

The Group achieved a revenue of RM7.476 million for the current quarter ended 30 September 2011, which was 8.5% lower than the revenue for the quarter ended 30 September 2010 of RM8.168 million. The profit before tax for the current quarter ended 30 September 2011 decreased by 81.9% to RM0.169 million from RM0.932 million in the quarter ended 30 September 2010.

Precision Engineering Division

The revenue in the precision engineering division improved by 10.2% and 18.1% in the current financial quarter and period respectively. This division achieved a higher volume of business due to higher new connector mould orders from our customers which have on-going development of new connector products for the consumer electronics industry.

Precision Plastic Injection Moulding Division

Revenue for the precision plastic injection moulding division declined by 23.3% and 13.6% compared to the previous year's corresponding quarter and period respectively. The decline was due to a slowdown in orders for precision plastic connector parts from our customers due to the slowdown experienced by the industry.



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B1. Performance Review (cont'd)

Profit Before Tax and Margins

Gross profit in the quarter declined to RM0.857 million compared to RM1.533 million in the previous year's corresponding quarter mainly due to lower volume of sales in our precision plastic injection moulding division. Gross margins declined as a result of lower sales with higher fixed overheads experienced in this quarter. As a result, the Group's profit before tax declined to RM0.169 million in the current quarter.

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 RM0.169 million for the current quarter, a decrease of 90.5% from RM1.774 million achieved in the preceding quarter ended 30 June 2011. The significant drop in profit before tax was mainly due to lower revenue generated from both the precision engineering and the precision plastic injection moulding divisions.

B3. Current Year Prospects

Global growth outlook has become significantly more uncertain following heightened downside risks. In particular, the possible escalation of the ongoing fiscal concerns in the advanced economies could add further strains to the international financial system and undermine the prospects for continued global growth.

The uncertainty in the current global economy has a negative impact on the performance of the Group from the third quarter of 2011 onwards. The Board is of the opinion that the Group will continue to operate in a challenging environment for the financial year ending 31 December 2011 and will experience a lower revenue compared to last financial year.

B4. Variance of Actual Profit from Profit Forecast

Not applicable.



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B5. Income Tax Expense

	Current Quarter RM'000	Period To Date RM'000
Income Tax	61	728
Deferred Tax	(43)	(69)
	<u>18</u>	<u>659</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>237</u>	<u>408</u>	<u>645</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 September 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	20,009	20,605
- Unrealised	(1,401)	(1,471)
Total Group retained profits as per consolidated accounts	<u>18,608</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 September 2011, the Group's outstanding forward foreign currency contracts, all of which had maturity of less than one year, was as follows:

	Contract value RM'000	Net fair value - gain/(loss) RM'000
Forward foreign currency contracts	<u>719</u>	<u>(18)</u>

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. 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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B13. Dividends

Total dividends declared for the financial year ending 31 December 2011 include an interim tax-exempt dividend of 10% equivalent to 1.0 sen per ordinary share, which was 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.

B14. 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:

	Current Quarter	Period To Date
Profit attributable to owners of the Company (RM'000)	151	3,221
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Basic earnings per ordinary share (sen)	<u>0.08</u>	<u>1.72</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:

	Current Quarter	Period To Date
Profit attributable to owners of the Company (RM'000)	151	3,221
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Effect of share options	774,482	1,757,167
Adjusted weighted average number of ordinary shares in issue (units)	<u>188,146,254</u>	<u>189,128,939</u>
Diluted earnings per ordinary share (sen)	<u>0.08</u>	<u>1.70</u>