



LNG RESOURCES BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual quarter		Cumulative quarter	
	Current year quarter 31.12.2011 RM'000	Preceding year corresponding quarter 31.12.2010 RM'000	Current year to date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000
Revenue	6,864	9,788	33,735	36,647
Cost of sales	(6,123)	(6,809)	(26,951)	(28,125)
Gross profit	741	2,979	6,784	8,522
Other income	188	198	700	557
Other expenses	(713)	(929)	(3,329)	(3,069)
Finance costs	(11)	(18)	(70)	(91)
Profit before tax	205	2,230	4,085	5,919
Income tax expense/(credit)	96	(129)	(563)	(618)
Profit for the year/period	301	2,101	3,522	5,301
Other comprehensive income for the year/period	-	-	-	-
Total comprehensive income for the year/period	301	2,101	3,522	5,301
Profit for the year/period attributable to owners of the Company	301	2,101	3,522	5,301
Total comprehensive income attributable to owners of the Company	301	2,101	3,522	5,301
Earnings per ordinary share (sen)				
- Basic	0.16	1.12	1.88	2.83
- Diluted	0.16	-	1.87	-

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 notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2011 (Unaudited) RM'000	As at 31.12.2010 (Audited) RM'000
Assets		
Non-current assets		
Property, plant and equipment	23,857	24,724
Prepaid lease payments	2,461	2,567
	<u>26,318</u>	<u>27,291</u>
Current assets		
Inventories	2,926	4,417
Trade and other receivables	6,079	9,816
Prepayments	33	43
Tax recoverable	476	292
Cash and bank balances	14,322	10,818
	<u>23,836</u>	<u>25,386</u>
Total assets	<u>50,154</u>	<u>52,677</u>
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	18,982	18,982
Share premium	5,828	5,828
Treasury shares	(567)	(567)
Retained earnings	18,909	19,134
	<u>43,152</u>	<u>43,377</u>
Non-current liabilities		
Borrowings	379	523
Deferred tax liabilities	1,469	1,471
	<u>1,848</u>	<u>1,994</u>
Current liabilities		
Trade and other payables	5,010	6,612
Borrowings	144	692
Tax liabilities	-	2
	<u>5,154</u>	<u>7,306</u>
Total liabilities	<u>7,002</u>	<u>9,300</u>
Total equity and liabilities	<u>50,154</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 Share premium RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	
At 1 January 2011	18,982	5,828	(567)	19,134	43,377
Total comprehensive income for the year	-	-	-	3,522	3,522
Dividends to owners	-	-	-	(3,747)	(3,747)
At 31 December 2011	<u>18,982</u>	<u>5,828</u>	<u>(567)</u>	<u>18,909</u>	<u>43,152</u>
At 1 January 2010	18,982	5,828	(567)	17,580	41,823
Total comprehensive income for the year	-	-	-	5,301	5,301
Dividends to owners	-	-	-	(3,747)	(3,747)
At 31 December 2010	<u>18,982</u>	<u>5,828</u>	<u>(567)</u>	<u>19,134</u>	<u>43,377</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 notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Year ended	
	31.12.2011	31.12.2010
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,085	5,919
Adjustments for:		
Amortisation of prepaid lease payments	106	105
Depreciation of property, plant and equipment	4,105	3,904
Gain on disposal of property, plant and equipment	(37)	(113)
Property, plant and equipment written off	-	2
Unrealised loss/(gain) on foreign exchange	(16)	50
Interest expense	43	66
Interest income	(301)	(258)
Operating profit before changes in working capital	<u>7,985</u>	<u>9,675</u>
Changes in:		
Inventories	1,491	(912)
Trade and other receivables and prepayments	3,687	1,117
Trade and other payables	(1,809)	(874)
Cash generated from operations	<u>11,354</u>	<u>9,006</u>
Interest paid	(43)	(65)
Tax paid	(751)	(664)
Tax refunded	-	3
Net cash from operating activities	<u>10,560</u>	<u>8,280</u>
Cash flows from investing activities		
Interest received	308	253
Proceeds from disposal of property, plant and equipment	109	699
Purchase of property, plant and equipment	(3,034)	(4,693)
Net cash used in investing activities	<u>(2,617)</u>	<u>(3,741)</u>
Cash flows from financing activities		
Repayment of bank borrowings	(692)	(919)
Dividends paid	(3,747)	(3,747)
Net cash used in financing activities	<u>(4,439)</u>	<u>(4,666)</u>
Net increase/(decrease) in cash and cash equivalents	3,504	(127)
Cash and cash equivalents at beginning of year	10,818	10,945
Cash and cash equivalents at end of year	<u>14,322</u>	<u>10,818</u>
Cash and cash equivalents comprise of:		
Cash and bank balances	<u>14,322</u>	<u>10,818</u>

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 notes attached to the interim financial statements.



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

A. 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 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, performance 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.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).



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A2. Changes in accounting policies (cont'd)

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the financial position as at 1 January 2012 to amounts reflecting the application of MFRS Framework.

The Group has started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and is in the process of assessing the financial effects of the differences. Accordingly, the financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

A3. Seasonal or cyclical factors

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

A4. Unusual items

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

A5. Changes in estimates

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

A6. Debt and equity securities

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



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A7. 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 ended 31 December 2011 was paid by the Company on 22 September 2011.

A8. Segment information

The Group is organised and managed into business units based on their products and services, and has two reportable segments as follows:

- i. Precision engineering - Involved in the design and manufacture of high precision moulds, tools and dies.
- ii. Precision plastic injection moulding - Engaged in the precision engineering plastic injection moulding and sub-assembly.

There have been no changes in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements.

Information in respect of the Group's reportable segments for the year ended 31 December 2011 was as follows:

	Precision engineering RM'000	Precision plastic injection moulding RM'000	Total RM'000
External revenue	17,603	16,132	33,735
Inter-segment revenue	1,212	-	1,212
Reportable segment profit	5,262	2,877	8,139
Reportable segment assets	28,589	16,058	44,647



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A8. Segment information (cont'd)

Reconciliation of reportable segment profit:

	Year ended 31 December 2011 RM'000
Total profit for reportable segments	8,139
Elimination of inter-segment profits	272
Depreciation and amortisation	(4,210)
Finance costs	(70)
Interest income	301
Other non-reportable segments	(347)
	<hr/>
Consolidated profit before tax	<u>4,085</u>

A9. Events after the end of the interim period

There were no events after the current year ended 31 December 2011 that have not been reflected in this quarterly report save as on 31 January 2012, the Company announced the commencement of the voluntary winding-up of its three dormant wholly-owned subsidiaries, All Metro Technology Sdn Bhd, Falcon Furniture Industry Sdn Bhd and Venture Plastic Industries Sdn Bhd pursuant to Section 254 (1) (b) of the Companies Act, 1965. The winding-up of these three subsidiaries are expected to have no material effect on the share capital, net assets per share, gearing and earnings per share of the Group for the financial year ending 31 December 2012.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current year ended 31 December 2011.

A11. Capital commitments

The Group does not have any material capital commitment as at 31 December 2011.

A12. 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. Notes pursuant to Chapter 9, Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance review

Operating environment

The operating environment remained challenging during the fourth quarter of 2011. 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.

Global growth conditions have deteriorated and are expected to dip further in early 2012 as exports to the Western countries decline and financial uncertainties persist.

Financial performance

The Group's revenue for the current financial year ended 31 December 2011 of RM33.735 million was lower than the revenue in the prior corresponding financial year ended 31 December 2010 of RM36.647 million. The profit before tax for the year ended 31 December 2011 amounted to RM4.085 million, representing a decrease of 31.0% from RM5.919 million recorded in the previous year's corresponding financial period.

The Group achieved a revenue of RM6.864 million for the current quarter ended 31 December 2011, which was 29.9% lower than the revenue for the quarter ended 31 December 2010 of RM9.788 million. The profit before tax for the current quarter ended 31 December 2011 decreased by 90.8% to RM0.205 million from RM2.230 million in the quarter ended 31 December 2010.

Precision engineering segment

Revenue for the precision engineering segment increased slightly by 6.7% compared to previous financial year. During the financial year, this segment 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.

However, revenue for this segment in the fourth quarter dropped by 19.9% as compared to previous year's corresponding quarter. The decrease was mainly due to lower orders from customers as a result of slowdown in the global economy which started in the second half of 2011.



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B1. Performance review (cont'd)

Precision plastic injection moulding segment

Revenue for the precision plastic injection moulding segment declined by 20.0% and 40.0% compared to the previous year's corresponding period and quarter 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.

Profit before tax and margins

Gross profit for the year decreased by 20.4% to RM6.784 million from RM8.522 million in the year ended 31 December 2010. The decline was mainly attributable to lower sales volume in the precision plastic injection moulding segment and higher overheads in both segments.

Gross profit for the quarter declined to RM0.741 million compared to RM2.979 million in the previous year's corresponding quarter mainly due to lower volume of sales in both the precision engineering and precision plastic injection moulding segments. Gross margins for the quarter declined as a result of lower sales whilst production overheads were mainly fixed and semi-variable.

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

B2. Comment on material change in profit before tax

The change in profit before tax as compared to the preceding quarter was insignificant. The Group recorded a profit before tax of RM0.205 million for the current quarter as compared to RM0.169 million achieved in the preceding quarter ended 30 September 2011.

B3. Future prospects

The global economy outlook in 2012 has become more uncertain and challenging due to the waning global demand and ongoing financial turbulence.

The prospects for both the precision engineering and precision plastic injection moulding segments in 2012 remain tough and challenging following the weak and highly uncertain global economic conditions. Orders from customers had slowed down in the second half of 2011 and are expected to persist in the first half of 2012. The Group may experience a lower revenue as compared to the last financial year.



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B4. Statement by the Board of Directors on revenue or profit estimate, forecast, projection or internal targets

The Group did not announce any revenue or profit estimate, forecast, projection or internal targets.

B5. Variance of actual profit from profit forecast or profit guarantee

The Group did not announce any profit forecast or profit guarantee.

B6. Income tax expense

	Current quarter RM'000	Year to date RM'000
Income tax	(163)	565
Deferred tax	67	(2)
	<u>(96)</u>	<u>563</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.

B7. Status of corporate proposals

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

B8. 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>144</u>	<u>379</u>	<u>523</u>

B9. Material litigation

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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B10. Dividends

On 28 February 2012, the Company declared a special interim single-tier dividend of 20% equivalent to 2.0 sen per ordinary share in respect of financial year ended 31 December 2011, to be paid on 26 March 2012 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 15 March 2012.

Total dividends declared for the financial year ended 31 December 2011 include the following:

- i. A first interim 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 2011 was paid by the Company 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.
- ii. A special interim single-tier dividend of 20% equivalent to 2.0 sen per ordinary share, amounting to RM3,747,435 in respect of financial year ended 31 December 2011, to be paid on 26 March 2012 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 15 March 2012.

B11. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter and financial year 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	Year to date
Profit attributable to owners of the Company (RM'000)	301	3,522
Weighted average number of ordinary shares in issue (units)	<u>187,371,772</u>	<u>187,371,772</u>
Basic earnings per ordinary share (sen)	<u>0.16</u>	<u>1.88</u>



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B11. Earnings per share (cont'd)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the current quarter and financial year 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	Year to date
Profit attributable to owners of the Company (RM'000)	301	3,522
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Effect of share options	81,531	1,275,309
Adjusted weighted average number of ordinary shares in issue (units)	<u>187,453,303</u>	<u>188,647,081</u>
Diluted earnings per ordinary share (sen)	<u>0.16</u>	<u>1.87</u>

B12. Auditor's report on preceding annual financial statements

The auditor's report on the audited financial statements for the year ended 31 December 2010 was not qualified.

B13. Profit for the year/period

	Current quarter RM'000	Year to date RM'000
Profit for the year/period is arrived at after charging:		
Amortisation of prepaid lease payments	26	105
Depreciation of property, plant and equipment	1,025	4,105
Loss on derivatives	4	7
Interest expense	8	43
and after crediting:		
Interest income	89	301
Gain on foreign exchange	48	274
Gain on disposal of property, plant and equipment	<u>37</u>	<u>37</u>

Other than the above, there were no other income including investment income, provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments, impairment of assets and exceptional items for the current quarter and year ended 31 December 2011.



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B14. Derivative financial instruments

During the financial year, the Group entered into forward foreign currency contracts to manage exposure to the fluctuations in foreign currency exchange rates.

As at 31 December 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	317	-

Derivative financial instruments entered into by the Group are similar to those disclosed in the consolidated annual financial statements for the year ended 31 December 2010.

There is no change to the Group's financial risk management policies and objectives in managing these derivative financial instruments and its related accounting policies.

B15. Fair value changes of financial liabilities

The Group does not have any financial liabilities that are measured at fair value through profit or loss (other than derivative financial instruments as disclosed in note B14).

B16. 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 31 December 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	20,378	20,605
- Unrealised	(1,469)	(1,471)
Total Group retained profits as per consolidated accounts	18,909	19,134