



# LNG RESOURCES BERHAD

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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

	Individual quarter		Cumulative quarter	
	Current year quarter 31.03.2012 RM'000	Preceding year corresponding quarter 31.03.2011 RM'000	Current year to date 31.03.2012 RM'000	Preceding year corresponding period 31.03.2011 RM'000
Revenue	5,457	9,519	5,457	9,519
Cost of sales	(4,701)	(6,878)	(4,701)	(6,878)
Gross profit	756	2,641	756	2,641
Other income	103	166	103	166
Other expenses	(607)	(845)	(607)	(845)
Finance costs	(9)	(25)	(9)	(25)
Profit before tax	243	1,937	243	1,937
Income tax expense	(131)	(329)	(131)	(329)
Profit for the period	112	1,608	112	1,608
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	112	1,608	112	1,608
Profit for the period attributable to owners of the Company	112	1,608	112	1,608
Total comprehensive income attributable to owners of the Company	112	1,608	112	1,608
Earnings per ordinary share (sen)				
- Basic	0.06	0.86	0.06	0.86
- Diluted	0.06	0.85	0.06	0.85

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying notes attached to the interim financial statements.



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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.03.2012 (Unaudited) RM'000	As at 31.12.2011 (Audited) RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	22,921	23,857
Prepaid lease payments	2,435	2,462
	<u>25,356</u>	<u>26,319</u>
<b>Current assets</b>		
Inventories	3,539	2,926
Trade and other receivables	5,310	6,079
Prepayments	140	33
Tax recoverable	481	476
Cash and bank balances	10,873	14,322
	<u>20,343</u>	<u>23,836</u>
<b>Total assets</b>	<u>45,699</u>	<u>50,155</u>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	18,982	18,982
Share premium	5,828	5,828
Treasury shares	(567)	(567)
Retained earnings	15,274	18,909
	<u>39,517</u>	<u>43,152</u>
<b>Non-current liabilities</b>		
Borrowings	349	379
Deferred tax liabilities	1,440	1,469
	<u>1,789</u>	<u>1,848</u>
<b>Current liabilities</b>		
Trade and other payables	4,277	5,011
Derivative financial liabilities	1	-
Borrowings	115	144
	<u>4,393</u>	<u>5,155</u>
<b>Total liabilities</b>	<u>6,182</u>	<u>7,003</u>
<b>Total equity and liabilities</b>	<u>45,699</u>	<u>50,155</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.21</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 2011 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	
<b>At 1 January 2012</b>	18,982	5,828	(567)	18,909	43,152
Total comprehensive income for the period	-	-	-	112	112
Dividends to owners	-	-	-	(3,747)	(3,747)
<b>At 31 March 2012</b>	<u>18,982</u>	<u>5,828</u>	<u>(567)</u>	<u>15,274</u>	<u>39,517</u>
<b>At 1 January 2011</b>	18,982	5,828	(567)	19,134	43,377
Total comprehensive income for the period	-	-	-	1,608	1,608
Dividends to owners	-	-	-	(1,874)	(1,874)
<b>At 31 March 2011</b>	<u>18,982</u>	<u>5,828</u>	<u>(567)</u>	<u>18,868</u>	<u>43,111</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 2011 and the accompanying notes attached to the interim financial statements.



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## UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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

	Three months ended	
	31.03.2012	31.03.2011
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	243	1,937
Adjustments for:		
Amortisation of prepaid lease payments	27	26
Depreciation of property, plant and equipment	1,003	1,007
Unrealised loss/(gain) on foreign exchange	(6)	16
Unrealised loss on forward foreign currency contracts	1	-
Interest expense	3	16
Interest income	(92)	(65)
<b>Operating profit before changes in working capital</b>	<u>1,179</u>	<u>2,937</u>
Changes in:		
Inventories	(613)	88
Trade and other receivables and prepayments	666	(453)
Trade and other payables	(181)	(1,551)
<b>Cash generated from operations</b>	<u>1,051</u>	<u>1,021</u>
Interest paid	(3)	(16)
Tax paid	(165)	(203)
<b>Net cash from operating activities</b>	<u>883</u>	<u>802</u>
<b>Cash flows from investing activities</b>		
Interest received	93	66
Proceeds from disposal of property, plant and equipment	-	70
Purchase of property, plant and equipment	(620)	(614)
<b>Net cash used in investing activities</b>	<u>(527)</u>	<u>(478)</u>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(58)	(218)
Dividends paid	(3,747)	(1,874)
<b>Net cash used in financing activities</b>	<u>(3,805)</u>	<u>(2,092)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(3,449)</u>	<u>(1,768)</u>
Cash and cash equivalents at beginning of period	14,322	10,818
<b>Cash and cash equivalents at end of period</b>	<u>10,873</u>	<u>9,050</u>
Cash and cash equivalents comprise of:		
Cash and bank balances	<u>10,873</u>	<u>9,050</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 Malaysian 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 Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company's registered office at No. 7 (1<sup>st</sup> Floor), Jalan Pesta 1/1, Taman Tun Dr. Ismail 1, Jalan Bakri, 84000 Muar, Johor.

The condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012 and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

The 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 2011.

##### A2. Significant accounting policies

Except as described below, the significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011.

###### Property, plant and equipment

The Group had previously adopted a policy to revalue its landed properties every five (5) years or at shorter intervals whenever the fair values of the revalued assets were expected to differ materially from their carrying amounts.



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### **A2. Significant accounting policies (cont'd)**

Upon transition to MFRS, the Group elected to measure all of its property, plant and equipment using the cost model under MFRS 116 *Property, Plant and Equipment*. At the date of transition to MFRS, the buildings of the Group were measured at their acquisition costs less accumulated depreciation, and have not been revalued since the date of completion of the acquisition in year 2007. The Group has elected to regard the acquisition costs in year 2007 as their costs under MFRS 116. This change has no impact to the financial position, performance and cash flows of the Group.

### **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 period under review.

### **A5. Changes in estimates**

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

### **A6. Debt and equity securities**

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

### **A7. Dividends paid**

A special interim single-tier dividend of 20%, equivalent to 2.0 sen per ordinary share, amounted to RM3,747,415 in respect of financial year ended 31 December 2011 was paid by the Company on 26 March 2012.

### **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.



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### A8. Segment information (cont'd)

Information in respect of the Group's reportable segments for the period ended 31 March 2012 was as follows:

	Precision engineering RM'000	Precision plastic injection moulding RM'000	Total RM'000
External revenue	2,389	3,068	5,457
Inter-segment revenue	83	-	83
Reportable segment profit	348	787	1,135
Reportable segment assets	26,754	15,986	42,740

Reconciliation of reportable segment profit:

	Period ended 31 March 2012 RM'000
Total profit for reportable segments	1,135
Elimination of inter-segment profits	116
Depreciation and amortisation	(1,030)
Finance costs	(9)
Interest income	92
Other non-reportable segments	(61)
Consolidated profit before tax	243

### A9. Events after the end of the interim period

There were no events after the current period ended 31 March 2012 that has not been reflected in this quarterly report.

### A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current period ended 31 March 2012.



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### **A11. Capital commitments**

The Group does not have any material capital commitment as at 31 March 2012.

### **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 tough and challenging in the current period due to the prevailing global economy uncertainties and the European sovereign debt crisis. Growths in the connector and semiconductor industries have faltered since second half of 2011.

##### **Financial performance**

The Group's revenue for the current financial period/quarter ended 31 March 2012 of RM5.457 million was lower than the revenue in the prior corresponding financial period/quarter ended 31 March 2011 of RM9.519 million. The profit before tax for the period/quarter ended 31 March 2012 amounted to RM0.243 million, representing a decrease of 87.5% from RM1.937 million recorded in the previous year's corresponding financial period/quarter.

##### **Precision engineering segment**

Revenue for the precision engineering segment declined significantly by 47.0% compared to previous year's corresponding period/quarter. The decline was mainly due to lower orders from our customers in the connector industry as a result of slowdown in the global economy which started in the second half of 2011.

##### **Precision plastic injection moulding segment**

Revenue for the precision plastic injection moulding segment also dropped significantly by 38.7% as compared to previous year's corresponding period/quarter. Orders for plastic connector parts reduced significantly towards the fourth quarter of 2011 due to the slowdown experienced by the connector industry.



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### **B1. Performance review (cont'd)**

#### **Gross profit margin**

Gross profit for the period/quarter decreased by 71.4% to RM0.756 million from RM2.641 million in the period/quarter ended 31 March 2011. The decline in gross profit was mainly attributable to lower sales volume in both the precision engineering and precision plastic injection moulding segments.

Gross profit margin for the period/quarter dropped to 13.9% as compared to 27.7% recorded in the previous year's corresponding period/quarter due to the significant drop in revenue 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 period 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 RM0.243 million for the current quarter as compared to RM0.205 million achieved in the preceding quarter ended 31 December 2011.

### **B3. Future prospects**

Prospects for both the precision engineering and precision plastic injection moulding segments in 2012 remain tough and challenging as uncertainties in the global economy and geopolitical remain.

Orders from customers had slowed down in the first quarter of 2012 and are expected to persist. The Board is of the opinion that the Group may experience a lower revenue as compared to the last financial year.

### **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.



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### B6. Income tax expense

	Current quarter RM'000	Period to date RM'000
Income tax	160	160
Deferred tax	(29)	(29)
	<u>131</u>	<u>131</u>

The effective tax rate of the Group was higher than the statutory tax rate of 25% principally due to certain expenses which were not deductible for income tax purposes.

### B7. Status of corporate proposals

Save as disclosed below, there is no outstanding uncompleted corporate proposal as at the date of this quarterly report.

On 31 January 2012, the Company announced the commencement of the voluntary winding-up of its three 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. At the date of this quarterly report, these subsidiaries are still in the process of liquidation.

### 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>115</u>	<u>349</u>	<u>464</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

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

### B11. 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)	112	112
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
<b>Basic earnings per ordinary share (sen)</b>	<u>0.06</u>	<u>0.06</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)	112	112
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Effect of share options	3,008,615	3,008,615
Adjusted weighted average number of ordinary shares in issue (units)	<u>190,380,387</u>	<u>190,380,387</u>
<b>Diluted earnings per ordinary share (sen)</b>	<u>0.06</u>	<u>0.06</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 2011 was not qualified.



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### B13. Profit for the period

	Current quarter RM'000	Period to date RM'000
<b>Profit for the period is arrived at after charging:</b>		
Amortisation of prepaid lease payments	27	27
Depreciation of property, plant and equipment	1,003	1,003
Loss on foreign exchange	14	14
Interest expense	3	3
<b>and after crediting:</b>		
Interest income	92	92
Gain on derivatives	2	2

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 or properties, impairment of assets and exceptional items for the current quarter ended 31 March 2012.

### B14. Derivative financial instruments

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

As at 31 March 2012, 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	151	(1)

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 2011.

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.



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### 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 March 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	16,714	20,378
- Unrealised	(1,440)	(1,469)
Total Group retained profits as per consolidated accounts	<u>15,274</u>	<u>18,909</u>