LNG RESOURCES BERHAD
(Company No: 582043-K)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual quarter		Cumulative quarter	
	Current year quarter 30.06.2012 RM'000	Preceding year corresponding quarter 30.06.2011 RM'000	Current year to date 30.06.2012 RM'000	Preceding year corresponding period 30.06.2011 RM'000
Revenue	6,044	9,876	11,501	19,395
Cost of sales	(5,295)	(7,331)	(9,996)	(14,209)
Gross profit	749	2,545	1,505	5,186
Other income	130	149	233	315
Other expenses	(641)	(899)	(1,248)	(1,744)
Finance costs	(12)	(21)	(21)	(46)
Profit before tax	226	1,774	469	3,711
Income tax expense	37	(312)	(94)	(641)
Profit for the period	263	1,462	375	3,070
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	263	1,462	375	3,070
Profit for the period attributable to owners of the Company	263	1,462	375	3,070
Total comprehensive income attributable to owners of the Company	263	1,462	375	3,070
Earnings per ordinary share (sen)				
- Basic	0.14	0.78	0.20	1.64
- Diluted	0.14	0.77	0.20	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 2011 and the accompanying notes attached to the interim financial statements.

LNG RESOURCES BERHAD
(Company No: 582043-K)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.06.2012 (Unaudited) RM'000	As at 31.12.2011 (Audited) RM'000
Assets		
Non-current assets		
Property, plant and equipment	22,090	23,857
Prepaid lease payments	2,409	2,462
	24,499	26,319
Current assets		
Inventories	3,595	2,926
Trade and other receivables	5,301	6,079
Prepayments	88	33
Tax recoverable	750	476
Cash and bank balances	10,866	14,322
	20,600	23,836
Total assets	45,099	50,155
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	15,537	18,909
	39,780	43,152
Non-current liabilities		
Borrowings	319	379
Deferred tax liabilities	1,407	1,469
	1,726	1,848
Current liabilities		
Trade and other payables	3,472	5,011
Derivative financial liabilities	4	-
Borrowings	117	144
	3,593	5,155
Total liabilities	5,319	7,003
Total equity and liabilities	45,099	50,155
Net assets per share attributable to owners of the Company (RM)	0.21	0.23

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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company				
		Non-distributable		Distributable	
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2012	18,982	5,828	(567)	18,909	43,152
Total comprehensive income for the period	-	-	-	375	375
Dividends to owners	-	-	-	(3,747)	(3,747)
At 30 June 2012	18,982	5,828	(567)	15,537	39,780
At 1 January 2011	18,982	5,828	(567)	19,134	43,377
Total comprehensive income for the period	-	-	-	3,070	3,070
Dividends to owners	-	-	-	(1,874)	(1,874)
At 30 June 2011	18,982	5,828	(567)	20,330	44,573

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended	
	30.06.2012	**30.06.2011**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before tax	469	3,711
Adjustments for:		
Amortisation of prepaid lease payments	53	52
Depreciation of property, plant and equipment	2,002	2,056
Property, plant and equipment written off	1	-
Unrealised gain on foreign exchange	(17)	(6)
Unrealised loss/(gain) on forward foreign currency contracts	4	(1)
Interest expense	8	28
Interest income	(176)	(132)
Operating profit before changes in working capital	2,344	5,708
Changes in:		
Inventories	(669)	93
Trade and other receivables and prepayments	742	313
Trade and other payables	(991)	(1,749)
Cash generated from operations	1,426	4,365
Interest paid	(8)	(28)
Tax paid	(430)	(438)
Net cash from operating activities	988	3,899
Cash flows from investing activities		
Interest received	178	132
Proceeds from disposal of property, plant and equipment	-	70
Purchase of property, plant and equipment	(788)	(1,450)
Net cash used in investing activities	(610)	(1,248)
Cash flows from financing activities		
Repayment of bank borrowings	(87)	(440)
Dividends paid	(3,747)	(1,874)
Net cash used in financing activities	(3,834)	(2,314)
Net increase/(decrease) in cash and cash equivalents	(3,456)	337
Cash and cash equivalents at beginning of period	14,322	10,818
Cash and cash equivalents at end of period	10,866	11,155
Cash and cash equivalents comprise of:		
Cash and bank balances	10,866	11,155

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.

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 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang.

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.

<u>Property, plant and equipment</u>

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.

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.

A8. Segment information (cont'd)

Information in respect of the Group's reportable segments for the period ended 30 June 2012 was as follows:

	Precision engineering RM'000	Precision plastic injection moulding RM'000	Total RM'000
External revenue	5,638	5,863	11,501
Inter-segment revenue	186	-	186
Reportable segment profit	1,033	1,321	2,354
Reportable segment assets	26,843	15,498	42,341

Reconciliation of reportable segment profit:

	Period ended 30 June 2012 RM'000
Total profit for reportable segments	2,354
Elimination of inter-segment profits	209
Depreciation and amortisation	(2,055)
Finance costs	(21)
Interest income	176
Other non-reportable segments	(194)
Consolidated profit before tax	469

A9. Events after the end of the interim period

There were no events after the current period ended 30 June 2012 that has not been reflected in this quarterly report save as follows:

(i) On 17 July 2012, the Company has incorporated a 70% owned subsidiary, namely Edaran Precision India Private Limited ("EPIPL") in India. The authorised capital of EPIPL is Rs3,500,000.00, divided into 35,000 shares of Rs100.00 per share. EPIPL has an issued and paid up capital of Rs500,000.00 divided into 5,000 shares of which the Company holds 3,500 shares in EPIPL. EPIPL's proposed business activities is to house the design and manufacture of precision moulds, tools and dies and jigs and fixtures.

A9. Events after the end of the interim period (cont'd)

(ii) On 3 August 2012, OSK Investment Bank Berhad ("OSK") had, on behalf of the Board of Directors of LNG ("Board"), announced that the Company had on even date entered into a conditional share sale agreement ("SSA") with Yong Chan Cheah ("YCC"), Yong Swee Chuan ("YSC") and Musharaka Tech Venture Sdn Bhd ("MTV") of Oriental Fastech Manufacturing Sdn Bhd ("OFM") for the proposed acquisition by LNG of 4,933,420 ordinary shares of RM1.00 each in OFM representing 100% of the issued and paid-up share capital of OFM for a total purchase consideration of RM32,000,000 ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, the Board has also resolved to undertake the following:-

a. Proposed increase in the authorised share capital of LNG from RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each ("LNG Shares") to RM50,000,000 comprising 500,000,000 LNG Shares ("Proposed Increase in Authorised Share Capital"); and
b. Proposed amendment to the Memorandum of Association of LNG ("Proposed Amendment").

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current period ended 30 June 2012.

A11. Capital commitments

The Group does not have any material capital commitment as at 30 June 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.

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 rising uncertainty on the European debt crisis and the downside risks to the global economy continue to contribute to a challenging landscape for the operating environment. Growths in the connector and semiconductor industries have faltered since second half of 2011. The overall growth momentum in 2012 is expected to moderate largely due to the weak external environment.

Financial performance

The Group's revenue for the current financial period ended 30 June 2012 of RM11.501 million was lower than the revenue in the prior corresponding financial period ended 30 June 2011 of RM19.395 million. The profit before tax for the period ended 30 June 2012 amounted to RM0.469 million, representing a decrease of 87.4% from RM3.711 million recorded in the previous year's corresponding financial period.

The Group achieved a revenue of RM6.044 million for the current quarter ended 30 June 2012, which was 38.8% lower than the revenue for the quarter ended 30 June 2011 of RM9.876 million. The profit before tax for the current quarter ended 30 June 2012 decreased by 87.3% to RM0.226 million from RM1.774 million in the quarter ended 30 June 2011.

Precision engineering segment

Revenue for the precision engineering segment declined significantly by 41.7% and 37.0% respectively as compared to the previous year's corresponding period and quarter. Customers demand in the connector and semi-conductor industries remained slow during the financial period due to the effects arising from the deterioration in the global financial conditions.

Precision plastic injection moulding segment

Revenue for the precision plastic injection moulding segment also dropped significantly by 39.7 % and 40.7% respectively as compared to previous year's corresponding period and quarter. Orders for plastic connector parts reduced significantly towards the fourth quarter of 2011 as a result of the slowdown experienced by our customer in the connector industry.

B1. Performance review (cont'd)

Gross profit

Gross profit for the period and quarter ended 30 June 2012 declined by 71.0% and 70.6% to RM1.505 million and RM0.749 million respectively. The decline in gross profit was mainly attributable to lower sales volume in both the precision engineering and precision plastic injection moulding segments 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 RM0.226 million for the current quarter as compared to RM0.243 million achieved in the preceding quarter ended 31 March 2012.

B3. Future prospects

Prospects for both the precision engineering and precision plastic injection moulding segments in 2012 continue to be tough and challenging due to the weak and uncertain global environment.

Orders from customers had slowed down in the first half 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 shortfall in the profit guarantee (only applicable to the final quarter for corporations which have previously announced or disclosed a profit forecast or profit guarantee in a public document)

Not applicable.

B6. Income tax expense

	Current quarter RM'000	Period to date RM'000
Income tax	(4)	156
Deferred tax	(33)	(62)
	(37)	94

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

B7. Status of corporate proposals

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

(i) 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.

(ii) On 3 August 2012, OSK had, on behalf of the Board, announced that the Company had on even date entered into a SSA with YCC, YSC and MTV of OFM (YCC and YSC are hereinafter collectively referred to as the "Individual Vendors") for the Proposed Acquisition.

The purchase consideration of RM32,000,000 ("Purchase Consideration") for the Proposed Acquisition is to be satisfied in the following manner:

Consideration	RM'000
Cash	20,000
Issuance of 52,173,913 new LNG Shares at an issue price of RM0.23 per LNG Share	12,000
	32,000

The Company had on 3 August 2012, upon the execution of the SSA, paid a deposit of RM3,200,000 being 10% of the Purchase Consideration to the Individual Vendors.

In conjunction with the Proposed Acquisition, the Board has also resolved to undertake the following:-

a. Proposed Increase in Authorised Share Capital; and
b. Proposed Amendment.

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	117	319	436

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.

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:

	Current quarter	Period to date
Profit attributable to owners of the Company (RM'000)	263	375
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Basic earnings per ordinary share (sen)	0.14	0.20

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 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)	263	375
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Effect of share options	2,228,586	1,378,851
Adjusted weighted average number of ordinary shares in issue (units)	189,600,358	188,750,623
Diluted earnings per ordinary share (sen)	0.14	0.20

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.

B13. Profit for the period

	Current quarter RM'000	**Period to date RM'000**
Profit for the period is arrived at after charging:		
Amortisation of prepaid lease payments	26	53
Depreciation of property, plant and equipment	999	2,002
Property, plant and equipment written off	1	1
Loss on derivatives	7	5
Interest expense	5	8
and after crediting:		
Gain on foreign exchange	63	49
Interest income	84	176

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 period and quarter ended 30 June 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 30 June 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	426	(4)

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.

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 30 June 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	16,944	20,378
- Unrealised	(1,407)	(1,469)
Total Group retained profits as per consolidated accounts	15,537	18,909