LNG RESOURCES BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual quarter		**Cumulative quarter**	
	Current year quarter 30.09.2012 RM'000	**Preceding year corresponding quarter 30.09.2011 RM'000**	**Current year to date 30.09.2012 RM'000**	**Preceding year corresponding period 30.09.2011 RM'000**
Revenue	6,333	7,476	17,834	26,871
Cost of sales	(5,190)	(6,619)	(15,186)	(20,828)
Gross profit	1,143	857	2,648	6,043
Other income	137	197	370	512
Other expenses	(836)	(872)	(2,084)	(2,616)
Finance costs	(10)	(13)	(31)	(59)
Profit before tax	434	169	903	3,880
Income tax expense	(73)	(18)	(167)	(659)
Profit for the period	361	151	736	3,221
Other comprehensive income for the period, net of tax				
Exchange differences on translation of foreign operation	(2)	-	(2)	-
Total comprehensive income for the period, net of tax	359	151	734	3,221
Profit for the period attributable to:				
Owners of the Company	369	151	744	3,221
Non-controlling interest	(8)	-	(8)	-
	361	151	736	3,221
Total comprehensive income for the period, net of tax attributable to:				
Owners of the Company	368	151	743	3,221
Non-controlling interest	(9)	-	(9)	-
	359	151	734	3,221
Earnings per ordinary share attributable to owners of the Company (sen per share)				
Basic	0.20	0.08	0.40	1.72
Diluted	0.20	0.08	0.39	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 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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.09.2012 (Unaudited) RM'000	As at 31.12.2011 (Audited) RM'000
Assets		
Non-current assets		
Property, plant and equipment	20,631	23,857
Prepaid lease payments	2,383	2,462
	23,014	26,319
Current assets		
Inventories	3,489	2,926
Trade and other receivables	8,314	6,079
Prepayments	146	33
Tax recoverable	591	476
Cash and bank balances	9,788	14,322
	22,328	23,836
Total assets	45,342	50,155
Equity and liabilities		
Equity		
Share capital	18,982	18,982
Share premium	5,828	5,828
Translation reserve	(1)	-
Treasury shares	(567)	(567)
Retained earnings	15,906	18,909
Equity attributable to owners of the Company	40,148	43,152
Non-controlling interest	-	-
Total equity	40,148	43,152
Non-current liabilities		
Borrowings	289	379
Deferred tax liabilities	1,322	1,469
	1,611	1,848
Current liabilities		
Trade and other payables	3,465	5,011
Borrowings	118	144
	3,583	5,155
Total liabilities	5,194	7,003
Total equity and liabilities	45,342	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	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2012	18,982	5,828	-	(567)	18,909	43,152	-	43,152
Total comprehensive income	-	-	(1)	-	744	743	(9)	734
Dividends to owners	-	-	-	-	(3,747)	(3,747)	-	(3,747)
Contribution of capital by non-controlling interest	-	-	-	-	-	-	9	9
At 30 September 2012	18,982	5,828	(1)	(567)	15,906	40,148	-	40,148
At 1 January 2011	18,982	5,828	-	(567)	19,134	43,377	-	43,377
Total comprehensive income	-	-	-	-	3,221	3,221	-	3,221
Dividends to owners	-	-	-	-	(3,747)	(3,747)	-	(3,747)
At 30 September 2011	18,982	5,828	-	(567)	18,608	42,851	-	42,851

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)

	Nine months ended	
	30.09.2012	**30.09.2011**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before tax	903	3,880
Adjustments for:		
Amortisation of prepaid lease payments	79	79
Depreciation of property, plant and equipment	2,910	3,080
Gain on disposals of property, plant and equipment	(36)	-
Property, plant and equipment written off	1	-
Unrealised loss/(gain) on foreign exchange	6	(75)
Unrealised loss on forward foreign currency contracts	-	18
Interest expense	14	35
Interest income	(246)	(212)
Operating profit before changes in working capital	3,631	6,805
Changes in:		
Inventories	(563)	818
Trade and other receivables and prepayments	(2,360)	1,746
Trade and other payables	(992)	(2,035)
Cash generated from/(used in) operations	(284)	7,334
Interest paid	(14)	(35)
Tax paid	(430)	(456)
Net cash from/(used in) operating activities	(728)	6,843
Cash flows from investing activities		
Interest received	251	222
Proceeds from disposal of property, plant and equipment	608	70
Purchase of property, plant and equipment	(810)	(2,445)
Proceeds from shares issued to non-controlling interest	9	-
Net cash from/(used in) investing activities	58	(2,153)
Cash flows from financing activities		
Repayment of bank borrowings	(115)	(570)
Dividends paid	(3,747)	(3,747)
Net cash used in financing activities	(3,862)	(4,317)
Net increase/(decrease) in cash and cash equivalents	(4,532)	373
Effect of exchange rate changes on cash and cash equivalents	(2)	-
Cash and cash equivalents at beginning of period	14,322	10,818
Cash and cash equivalents at end of period	9,788	11,191
Cash and cash equivalents comprise of:		
Cash and bank balances	9,788	11,191

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.

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 September 2012 was as follows:

	Precision engineering RM'000	Precision plastic injection moulding RM'000	Total RM'000
External revenue	9,814	8,020	17,834
Inter-segment revenue	267	-	267
Reportable segment profit	2,203	1,505	3,708
Reportable segment assets	25,417	13,734	39,151

Reconciliation of reportable segment profit:

	Period ended 30 September 2012 RM'000
Total profit for reportable segments	3,708
Elimination of inter-segment profits	309
Depreciation and amortisation	(2,989)
Finance costs	(31)
Interest income	246
Other non-reportable segments	(340)
Consolidated profit before tax	903

A9. Events after the end of the interim period

There were no events after the current period ended 30 September 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 30 September 2012 save as 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.

A11. Capital commitments

The Group does not have any material capital commitment as at 30 September 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 operating environment remained challenging during the third quarter of 2012. The heightened uncertainties surrounding the European debt crisis and the fiscal crisis in the United States remained as an obstacle over the restoration of the global economy. Growths in the connector and semiconductor industries remain vulnerable due to the weakening global economy.

Financial performance

The Group's revenue for the current financial period ended 30 September 2012 of RM17.834 million was lower than the revenue in the prior corresponding financial period ended 30 September 2011 of RM26.871 million. The profit before tax for the period ended 30 September 2012 amounted to RM0.903 million, representing a decrease of 76.7% from RM3.880 million recorded in the previous year's corresponding financial period. Revenue and profit before tax declined as compared to previous year's corresponding period due to the decline in orders in both the precision engineering and precision plastic injection moulding segments.

The Group achieved a revenue of RM6.333 million for the current quarter ended 30 September 2012, which was 15.3% lower than the revenue for the quarter ended 30 September 2011 of RM7.476 million. The profit before tax for the current quarter ended 30 September 2012 increased to RM0.434 million from RM0.169 million in the quarter ended 30 September 2011. Profit before tax increased despite the drop in the Group's revenue due to the improved performance in the precision engineering segment in the current quarter.

Precision engineering segment

Revenue from the precision engineering segment declined by 28.1% as compared to previous year's corresponding financial period. The decline in revenue was mainly driven by the negative impact arising from the unstable global economic conditions experienced by the connector and semi-conductor industries since the third quarter of 2011 that leads to lower orders in the precision engineering segment.

However, revenue for this segment in the current quarter ended 30 September 2012 increased slightly by 5.1% as compared to the previous year's corresponding quarter. The increase was mainly driven by the higher volume of orders received for new connector moulds from our customers in the current quarter as compared to the previous year's corresponding quarter.

Precision plastic injection moulding segment

Revenue for the precision plastic injection moulding segment declined significantly by 39.4% and 38.4% respectively as compared to previous year's corresponding period and quarter. The decline was mainly attributable to the slowdown on the demand for plastic connector parts by our customers in the connector industry.

B1. Performance review (cont'd)

Gross profit

Gross profit for the period ended 30 September 2012 decreased by 56.2% to RM2.648 million. The negative variance in gross profit for the current financial period was mainly due to the slowdown in the sales volume for both the precision engineering and precision plastic injection moulding segments in 2012 whilst production overheads were mainly fixed and semi-variable.

Despite the decrease in gross profit for the period ended 30 September 2012, the Group's gross profit for the current quarter ended 30 September 2012 recorded an increase of 33.4% to RM1.143 million. The increase in the gross profit for the current quarter was mainly due to higher profit contribution from the precision engineering segment. In the current quarter, the precision engineering segment received higher volume of orders for new connector moulds which generated higher profit margin as compared to the previous year's corresponding quarter.

The negative operating cash flows of the Group for the financial period ended 30 September 2012 was mainly due to deposit of RM3.2 million paid for the proposed acquisition of Oriental Fastech Manufacturing Sdn Bhd, the details of which are disclosed in Note B7(ii).

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 achieved a profit before tax of RM0.434 million for the current quarter as compared to RM0.226 million achieved in the preceding quarter ended 30 June 2012. The increase in profit before tax was mainly attributable to the increase in revenue in the precision engineering segment.

B3. Future prospects

Prospects for both the precision engineering and precision plastic injection moulding segments are anticipated to remain tough and challenging amidst the debt crisis in Europe and financial crisis in the United States. The volatile market environment remains to pose as a threat to the growth recovery of both segments.

During the current quarter, the Company has incorporated a 70% owned subsidiary, namely Edaran Precision India Private Limited ("EPIPL") in India to house the design and manufacture of precision moulds, tools and dies and jigs and fixtures. The Board is of the opinion that EPIPL will not have any significant contribution towards the financial performance of the Group for year 2012 as EPIPL is expected to commence its business operations in year 2013.

As orders from customers for both the precision engineering and precision plastic injection moulding segments had slowed down since the first half of 2012 and is anticipated 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	158	314
Deferred tax	(85)	(147)
	73	167

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 proposals 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 Investment Bank Berhad ("OSK") had, on behalf of the 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 of Oriental Fastech Manufacturing Sdn Bhd ("OFM") (YCC and YSC are hereinafter collectively referred to as the "Individual Vendors") 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").

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.

B7. Status of corporate proposals (cont'd)

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; and
b. Proposed amendment to the Memorandum of Association of LNG.

On 5 September 2012, OSK had, on behalf of the Board, announced that the listing application in relation to the Proposed Acquisition has been submitted to Bursa Malaysia Securities Berhad ("Bursa Securities") on even date.

As at the date of this quarterly report, the Proposed Acquisition is still pending the approvals of Bursa Securities, the shareholders of the Company and any other relevant authority, if required.

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	118	289	407

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)	369	744
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Basic earnings per ordinary share (sen)	0.20	0.40

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)	369	744
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Effect of share options	109,446	1,479,500
Adjusted weighted average number of ordinary shares in issue (units)	187,481,218	188,851,272
Diluted earnings per ordinary share (sen)	0.20	0.39

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	79
Depreciation of property, plant and equipment	908	2,910
Property, plant and equipment written off	-	1
Loss on derivatives	-	1
Interest expense	6	14
and after crediting:		
Gain on foreign exchange	22	71
Gain on derivatives	4	-
Gain on disposal of property, plant and equipment	36	36
Interest income	70	246

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 period and quarter ended 30 September 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.

There were no outstanding forward foreign currency contracts as at 30 September 2012.

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 September 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	17,234	20,378
- Unrealised	(1,328)	(1,469)
Total Group retained profits as per consolidated accounts	15,906	18,909