



LNG RESOURCES BERHAD

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

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Individual quarter		Cumulative quarter	
	Current year quarter 31.12.2012 RM'000	Preceding year corresponding quarter 31.12.2011 RM'000	Current year to date 31.12.2012 RM'000	Preceding year corresponding period 31.12.2011 RM'000
Revenue	7,079	6,864	24,913	33,735
Cost of sales	(5,758)	(6,123)	(20,944)	(26,951)
Gross profit	1,321	741	3,969	6,784
Other income	87	188	457	700
Other expenses	(1,414)	(713)	(3,498)	(3,329)
Finance costs	(8)	(11)	(39)	(70)
Profit/(Loss) before tax	(14)	205	889	4,085
Income tax expense	(245)	96	(412)	(563)
Profit/(Loss) for the year/period	(259)	301	477	3,522
Other comprehensive income/(loss) for the year/period, net of tax				
Exchange differences on translation of foreign operation	(9)	-	(11)	-
Total comprehensive income/(loss) for the year/period, net of tax	(268)	301	466	3,522
Profit/(Loss) for the year/period attributable to:				
Owners of the Company	(240)	301	504	3,522
Non-controlling interest	(19)	-	(27)	-
	(259)	301	477	3,522
Total comprehensive income/(loss) for the year/period, net of tax attributable to:				
Owners of the Company	(247)	301	496	3,522
Non-controlling interest	(21)	-	(30)	-
	(268)	301	466	3,522
Earnings/(Loss) per ordinary share attributable to owners of the Company (sen per share)				
Basic	(0.13)	0.16	0.27	1.88
Diluted	-	0.16	0.27	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 2011 and the accompanying notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2012 (Unaudited) RM'000	As at 31.12.2011 (Audited) RM'000
Assets		
Non-current assets		
Property, plant and equipment	19,821	23,857
Prepaid lease payments	2,356	2,462
	<u>22,177</u>	<u>26,319</u>
Current assets		
Inventories	2,699	2,926
Trade and other receivables	8,967	6,079
Prepayments	339	33
Tax recoverable	431	476
Cash and bank balances	10,568	14,322
	<u>23,004</u>	<u>23,836</u>
Total assets	<u>45,181</u>	<u>50,155</u>
Equity and liabilities		
Equity		
Share capital	18,982	18,982
Share premium	5,828	5,828
Translation reserve	(8)	-
Treasury shares	(567)	(567)
Retained earnings	15,666	18,909
Equity attributable to owners of the Company	<u>39,901</u>	<u>43,152</u>
Non-controlling interest	<u>32</u>	<u>-</u>
Total equity	<u>39,933</u>	<u>43,152</u>
Non-current liabilities		
Borrowings	259	379
Deferred tax liabilities	1,247	1,469
	<u>1,506</u>	<u>1,848</u>
Current liabilities		
Trade and other payables	3,622	5,011
Borrowings	120	144
	<u>3,742</u>	<u>5,155</u>
Total liabilities	<u>5,248</u>	<u>7,003</u>
Total equity and liabilities	<u>45,181</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)

	Attributable to owners of the Company					Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Non-distributable		Distributable					
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000			
At 1 January 2012	18,982	5,828	-	(567)	18,909	43,152	-	43,152
Total comprehensive income	-	-	(8)	-	504	496	(30)	466
Dividends to owners	-	-	-	-	(3,747)	(3,747)	-	(3,747)
Contribution of capital by non- controlling interest	-	-	-	-	-	-	62	62
At 31 December 2012	18,982	5,828	(8)	(567)	15,666	39,901	32	39,933
At 1 January 2011	18,982	5,828	-	(567)	19,134	43,377	-	43,377
Total comprehensive income	-	-	-	-	3,522	3,522	-	3,522
Dividends to owners	-	-	-	-	(3,747)	(3,747)	-	(3,747)
At 31 December 2011	18,982	5,828	-	(567)	18,909	43,152	-	43,152

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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Year ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	889	4,085
Adjustments for:		
Amortisation of prepaid lease payments	106	106
Depreciation of property, plant and equipment	3,795	4,105
Gain on disposals of property, plant and equipment	(36)	(37)
Property, plant and equipment written off	1	-
Unrealised gain on foreign exchange	(13)	(16)
Proposed acquisition related costs	622	-
Interest expense	18	43
Interest income	(314)	(301)
Operating profit before changes in working capital	5,068	7,985
Changes in:		
Inventories	227	1,491
Trade and other receivables and prepayments	6	3,687
Trade and other payables	(947)	(1,809)
Cash generated from operations	4,354	11,354
Interest paid	(18)	(43)
Tax paid	(592)	(751)
Net cash from operating activities	3,744	10,560
Cash flows from investing activities		
Interest received	318	308
Proceeds from disposal of property, plant and equipment	608	109
Purchase of property, plant and equipment	(885)	(3,034)
Deposit paid for proposed acquisition	(3,200)	-
Proposed acquisition related costs paid	(509)	-
Proceeds from shares issued to non-controlling interest	62	-
Net cash used in investing activities	(3,606)	(2,617)
Cash flows from financing activities		
Repayment of bank borrowings	(144)	(692)
Dividends paid	(3,747)	(3,747)
Net cash used in financing activities	(3,891)	(4,439)
Net increase/(decrease) in cash and cash equivalents	(3,753)	3,504
Effect of exchange rate changes on cash and cash equivalents	(1)	-
Cash and cash equivalents at beginning of year	14,322	10,818
Cash and cash equivalents at end of year	10,568	14,322
Cash and cash equivalents comprise of:		
Cash and bank balances	10,568	14,322

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 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 the period covered by the Group’s first MFRS annual financial statements for the year ended 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.

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.



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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.

A7. Dividends paid

A special interim single-tier dividend of 20%, equivalent to 2.0 sen per ordinary share, amounted to RM3,747,435 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.

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

	Precision engineering RM'000	Precision plastic injection moulding RM'000	Total RM'000
External revenue	14,746	10,167	24,913
Inter-segment revenue	326	-	326
Reportable segment profit	3,616	1,410	5,026
Reportable segment assets	26,299	13,771	40,070



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A8. Segment information (cont'd)

Reconciliation of reportable segment profit:

	Year ended 31 December 2012 RM'000
Total profit for reportable segments	5,026
Elimination of inter-segment profits	504
Depreciation and amortisation	(3,901)
Finance costs	(39)
Interest income	314
Other non-reportable segments	(1,015)
	<hr/>
Consolidated profit before tax	<u>889</u>

A9. Events after the end of the interim period

Save as disclosed in Note B7(ii), there were no events after the current year ended 31 December 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 year ended 31 December 2012 save as on 17 July 2012, the Company has incorporated a 70% owned subsidiary, namely Edaran Precision India Private Limited ("EPIPL") in India. 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 has the following capital commitment in respect of property, plant and equipment as at 31 December 2012.

	RM'000
Contracted but not provided for	<hr/> 552

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 continued to be challenging during the fourth quarter of 2012. The persisting economic uncertainty caused by concerns over the US fiscal cliff and fears over the Eurozone debt crisis affects the growth recovery for both the connector and semi-conductor industries.

Financial performance

The Group reported revenue of RM24.913 million for the current year ended 31 December 2012, which was 26.2% lower than the revenue achieved in the prior corresponding financial year ended 31 December 2011 of RM33.735 million. The significant drop in revenue was mainly attributable to the weak and unstable customer orders in both the precision engineering and precision plastic injection moulding segments.

The Group's profit before tax for the current year ended 31 December 2012 amounted to RM0.889 million, representing a decrease of 78.2% from RM4.085 million recorded in the prior corresponding financial year. The significant decline in the Group's profit before tax was mainly due to the decline in revenue and also expenses incurred for the acquisition of Oriental Fastech Manufacturing Sdn Bhd ("OFM") amounted to approximately RM0.622 million during the year under review.

The Group's profit before tax for the current quarter and year ended 31 December 2012 excluding expenses incurred for the acquisition of OFM, were as follows:

	Current quarter ended 31 December 2012 RM'000	Year ended 31 December 2012 RM'000
Profit before tax ("PBT")	(14)	889
Add: Expenses incurred for the acquisition of OFM	622	622
PBT excluding expenses incurred for the acquisition of OFM	608	1,511

The Group achieved revenue of RM7.079 million for the current quarter ended 31 December 2012, representing a slight increase of 3.1% as compared to the revenue recorded in the previous year's corresponding quarter of RM6.864 million. The increase in revenue was attributable to improve orders from the precision engineering segment. Despite the increase in revenue for the current quarter, the Group recorded a loss before tax of RM0.014 million as compared to profit before tax of RM0.205 million for the previous year's corresponding quarter. The decrease in profit before tax for the current quarter was mainly attributable to the expenses incurred for the acquisition of OFM.

Precision engineering segment

Revenue from the precision engineering segment had declined by 16.2% as compared to the previous financial year. 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.



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B1. Performance review (cont'd)

Despite the substantial macroeconomic challenges faced, during the current quarter ended 31 December 2012, this segment achieved higher revenue with an increase of 24.6% as compared to the previous year's corresponding quarter due to increase orders for new connector moulds.

Precision plastic injection moulding segment

Revenue for the precision plastic injection moulding segment for the current year and quarter declined significantly by 37.0% and 26.1% respectively. The decline was mainly attributable by the significant reduction in volume of orders for the plastic connector parts as a result of the slowdown on the demand for plastic connector parts by our customers in the connector industry.

Gross profit

Gross profit for the year ended 31 December 2012 of RM3.969 million was 41.5% lower than the gross profit for the prior corresponding financial year ended 31 December 2011 of RM6.784 million. The decline in gross profit for the current financial year was mainly due to the weak customer orders in both segments as a whole throughout the year 2012 whilst production overheads did not drop in line with the decrease in revenue as they were mainly fixed and semi-variable.

Despite the decrease in gross profit for the year ended 31 December 2012, the Group's gross profit for the current quarter ended 31 December 2012 improved to RM1.321 million as compared to RM0.741 million recorded in the previous year's corresponding quarter. The increase in the gross profit for the current quarter was mainly attributable by the higher profit contribution from the precision engineering segment. During 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.

B2. Comment on material change in profit before tax

The Group recorded a loss before tax of RM0.014 million for the current quarter as compared to profit before tax of RM0.434 million achieved in the preceding quarter ended 30 September 2012. The decline in profit before tax was mainly attributable to the expenses incurred for the acquisition of OFM during the current quarter.

B3. Future prospects

The Board is of the opinion that the Group's financial performance for year 2013 will improve as compared to the financial year 2012.

Following the completion of the acquisition of OFM, the Group is expected to benefit from the extra revenue and earnings contribution from OFM as well as the profit guarantee of RM5.5 million for the financial year ending 2013 from OFM.

The acquisition of OFM allows the Group to expand its existing business operations from precision engineering and plastics injection moulding services to include precision metal turning and stamping, and surface finishing manufacturing services. It also enable the Group to further expand its business operations and offer a wider range of services and be a comprehensive manufacturing centre to its existing and new customers in the connector, semi-conductor and electrical and electronics industries by combining both metal and plastics components in its manufacturing process.



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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 for the financial year ended 31 December 2012.

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	Year to date RM'000
Income tax	320	634
Deferred tax	(75)	(222)
	245	412

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 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 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 ("Acquisition").

The purchase consideration of RM32,000,000 ("Purchase Consideration") for the 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.



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B7. Status of corporate proposals (cont'd)

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

- a. 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. Amendment to the Memorandum of Association of LNG.
(Collectively referred to as the "Proposals")

Following the announcements dated 3 August 2012, 5 September 2012, 30 November 2012, 6 December 2012 and 7 February 2013 in relation to the Proposals, on 8 February 2013, OSK had, on behalf of the Board announced that the 52,173,913 new LNG Shares issued pursuant to the Acquisition were listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad on 8 February 2013, marking the completion of the Proposals.

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	120	259	379

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 year under review.



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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/(Loss) attributable to owners of the Company (RM'000)	(240)	504
Weighted average number of ordinary shares in issue (units)	187,371,772	187,371,772
Basic earnings/(loss) per ordinary share (sen)	(0.13)	0.27

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:

	Year to date
Profit attributable to owners of the Company (RM'000)	504
Weighted average number of ordinary shares in issue (units)	187,371,772
Effect of share options	671,139
Adjusted weighted average number of ordinary shares in issue (units)	188,042,911
Diluted earnings per ordinary share (sen)	0.27

There is no dilution in the earnings per ordinary share of the Company for the current quarter as the average market price of the Company's ordinary shares for the current quarter was lower than the exercise price.

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	Year to date RM'000
Profit for the period is arrived at after charging:		
Amortisation of prepaid lease payments	27	106
Depreciation of property, plant and equipment	885	3,795
Property, plant and equipment written off	-	1
Loss on derivatives	-	1
Interest expense	4	18
	<hr/>	<hr/>
and after crediting:		
Gain on foreign exchange	19	90
Gain on disposal of property, plant and equipment	-	36
Interest income	68	314
	<hr/>	<hr/>

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 2012.

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.

There were no outstanding forward foreign currency contracts as at 31 December 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).



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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 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	25,978	29,004
- Unrealised	(1,332)	(1,605)
	<hr/>	<hr/>
	24,646	27,399
Less: Consolidation adjustments	(8,980)	(8,490)
Total Group retained profits as per consolidated accounts	<hr/>	<hr/>
	15,666	18,909