



LNG RESOURCES BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2016 - unaudited

	Current quarter Three months ended 30 September 2016 RM'000	Cumulative period Nine months ended 30 September 2016 RM'000
Revenue	17,622	51,939
Cost of sales	(14,172)	(42,483)
Gross profit	3,450	9,456
Other income	301	1,100
Selling and distribution expenses	(122)	(355)
Administrative expenses	(2,212)	(6,370)
Other expenses	112	(1,059)
Operating profit	1,529	2,772
Interest income	17	36
Finance costs	(279)	(915)
Profit before tax	1,267	1,893
Income tax expense	(376)	(646)
Profit for the period	891	1,247
Other comprehensive income for the period, net of tax <i>Items that are or may be reclassified subsequently to profit or loss</i>		
Foreign currency translation differences for foreign operations	81	(117)
Total comprehensive income for the period	972	1,130
Profit/(Loss) attributable to:		
Owners of the Company	874	1,257
Non-controlling interests	17	(10)
Profit for the period	891	1,247
Total comprehensive income attributable to:		
Owners of the Company	953	1,144
Non-controlling interests	19	(14)
Total comprehensive income for the period	972	1,130



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the nine months ended 30 September 2016 - unaudited

	Current quarter Three months ended 30 September 2016 RM'000	Cumulative period Nine months ended 30 September 2016 RM'000
Profit per ordinary share attributable to owners of the Company (sen per share)		
Basic	0.36	0.52
Diluted	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	30 September 2016 (Unaudited) RM'000	31 December 2015 (Audited) RM'000
Assets		
Non-current assets		
Property, plant and equipment	36,962	39,877
Prepaid lease payments	1,962	2,041
Investment property	338	-
Deferred tax assets	47	-
Goodwill	10,656	10,656
	<u>49,965</u>	<u>52,574</u>
Current assets		
Inventories	11,055	11,345
Trade and other receivables	14,809	13,162
Prepayments	948	727
Tax recoverable	341	464
Cash and bank balances	7,576	7,737
	<u>34,729</u>	<u>33,435</u>
Assets classified as held for sale	-	767
Total current assets	<u>34,729</u>	<u>34,202</u>
Total assets	<u>84,694</u>	<u>86,776</u>
Equity and liabilities		
Equity		
Share capital	24,199	24,199
Share premium	12,743	12,743
Other reserve	(1,826)	(1,826)
Translation reserve	664	777
Retained earnings	18,887	17,630
Equity attributable to owners of the Company	<u>54,667</u>	<u>53,523</u>
Non-controlling interests	<u>73</u>	<u>87</u>
Total equity	<u>54,740</u>	<u>53,610</u>
Non-current liabilities		
Loans and borrowings	6,763	9,793
Deferred income on government grant	283	313
Deferred tax liabilities	1,571	1,567
	<u>8,617</u>	<u>11,673</u>
Current liabilities		
Trade and other payables	12,113	11,329
Loans and borrowings	9,173	10,139
Income tax liabilities	51	25
	<u>21,337</u>	<u>21,493</u>
Total liabilities	<u>29,954</u>	<u>33,166</u>
Total equity and liabilities	<u>84,694</u>	<u>86,776</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.23</u>	<u>0.22</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the nine months ended 30 September 2016 - unaudited

	Attributable to owners of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Non-distributable			Distributable					
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000			
At 1 January 2016	24,199	12,743	(1,826)	777	-	17,630	53,523	87	53,610
Foreign currency translation differences for foreign operations	-	-	-	(113)	-	-	(113)	(4)	(117)
Other comprehensive income/(loss) for the period	-	-	-	(113)	-	-	(113)	(4)	(117)
Profit for the period	-	-	-	-	-	1,257	1,257	(10)	1,247
Total comprehensive income/(loss) for the period	-	-	-	(113)	-	1,257	1,144	(14)	1,130
At 30 September 2016	24,199	12,743	(1,826)	664	-	18,887	54,667	73	54,740

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying notes attached to the interim financial statements.



LNG RESOURCES BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the nine months ended 30 September 2016 – unaudited

	Nine months ended 30 September 2016 RM'000
Cash flows from operating activities	
Profit before tax	1,893
Adjustments for:	
Amortisation of prepaid lease payments	79
Depreciation	4,288
Gain on disposal of property, plant and equipment	(433)
Impairment loss on loans and receivables	-
Amortisation of deferred income	(30)
Unrealised gain on foreign exchange	(366)
Interest expense	803
Interest income	(36)
Operating profit before changes in working capital	6,198
Changes in:	
Inventories	290
Trade and other receivables and prepayments	(1,392)
Trade and other payables	731
Cash generated from operations	5,827
Interest paid	(803)
Tax refunded	159
Tax paid	(704)
Net cash from operating activities	4,479
Cash flows from investing activities	
Interest received	36
Purchase of property, plant and equipment	(2,038)
Proceeds from disposal of property, plant and equipment	1,200
Withdrawals of pledged deposits	231
Net cash used in investing activities	(571)
Cash flows from financing activities	
Repayment of finance lease liabilities	(1,168)
Repayment of term loans	(4,440)
Net increase in other loans and borrowings	192
Drawdown of term loans	1,917
Net cash used in financing activities	(3,499)
Net increase in cash and cash equivalents	409
Foreign currency translation differences	157
Cash and cash equivalents at 1 January	4,923
Cash and cash equivalents at 30 September	5,489



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued) For the nine months ended 30 September 2016 – unaudited

	Nine months ended 30 September 2016 RM'000
Cash and cash equivalents comprise of:	
Cash and bank balances	7,576
Bank overdrafts	(1,985)
Pledged deposits	(102)
	<hr/> 5,489 <hr/>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying notes attached to the interim financial statements.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A. Notes pursuant to Malaysian Financial Reporting Standard 134 *Interim Financial Reporting*

A1. Change in financial year end

On 5 October 2016, the Company announced to change its financial year end from 31 December to 31 March. The first set of financial statements reflecting the change shall be made up from 1 January 2016 to 31 March 2017 covering a period of 15 months.

Thereafter, the subsequent financial years of the Company shall end on 31 March every year.

A2. 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 2015.

The consolidated financial statements of the Group for the year ended 31 December 2015 are available upon request from the Company’s registered office at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang.

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 2015.

A3. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015, except for the adoption of the following MFRSs, Amendments and/or IC Interpretations:

Effective for financial periods beginning on or after 1 January 2016

- MFRS 14 Regulatory Deferral Accounts
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants
- Amendments to MFRS 127 Equity Method in Separate Financial Statements
- Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2012 – 2014 Cycle”

The Directors expect that the adoption of the above MFRSs, Amendments and/or IC Interpretations will not result in any significant changes in the accounting policies and will not have any significant effect on the financial position, results and disclosures in the financial statements of the Group and the Company in the period of initial application.



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A4. Seasonal or cyclical factors

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

A5. Unusual items

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

A6. Changes in estimates

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

A7. Debt and equity securities

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

A8. Dividends paid

There were no dividends paid during the period under review.

A9. Segment information

The Group is organised and managed into business units based on its products and services. During the financial period, segment information has been changed from three reportable segments to four reportable segments to include electronic manufacturing services segment.

The segmental information of the Group is 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.
- iii. Precision machining and stamping - Involved in the manufacture and sale of precision machining and stamping components for the telecommunication, industrial sensors, switches, electronic equipment and other industries and the provision of related specialised engineering services.
- iv. Electronic manufacturing services – Involved in the manufacture and assembly of electronic components.

There have been no changes 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 period ended 30 September 2016 was as follows:



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A9. Segment information (continued)

	Precision engineering RM'000	Precision plastic injection moulding RM'000	Precision machining and stamping RM'000	Electronic manufacturing services RM'000	Total RM'000
External revenue	10,877	13,644	27,104	314	51,939
Inter-segment revenue	1,765	494	164	1	2,424
Reportable segment profit	1,355	1,493	4,004	(87)	6,765
Reportable segment assets	25,268	12,726	38,431	583	77,008
Reportable segment liabilities	5,278	2,881	19,025	606	27,790

Reconciliation of reportable segment profit:

	Period ended 30 September 2016 RM'000
Total profit for reportable segments	6,765
Elimination of inter-segment profits	2,339
Depreciation and amortisation	(4,367)
Finance costs	(915)
Interest income	36
Unallocated corporate expenses	(1,965)
Consolidated profit before tax	1,893

A10. Events after the end of the interim period

There were no events after the current period ended 30 September 2016 that has not been reflected in this quarterly report.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current period ended 30 September 2016 save as on 30 September 2016, the Board of Directors announced to approve the investment of 51% of the equity interest in Bumblebee Eco Solutions Sdn Bhd ("Bumblebee"). Bumblebee has an authorised share capital of RM400,000.00 comprising 400,000 ordinary shares of RM1.00 each and an issued and paid-up capital of RM100.00 comprising 100 ordinary shares of RM1.00 each. Bumblebee's intended business activities are manufacturers, assemblers, installers, maintainer, repairers of all types of reproduced technology products, structure engineering related products, environmental friendly products and research and development, design and application of new technology and product development on reproduced technology products, structure engineering related products, environmental friendly products of all kinds and descriptions and to provide professional advices and consulting services in relation thereto.



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A12. Capital expenditure

The major additions of property, plant and equipment during the current quarter and period ended 30 September 2016 were as follows:

	Current quarter RM'000	Period to date RM'000
Additions	1,033	1,914

A13. Material commitments

As at 30 September 2016, the Group has the following material commitments:

	RM'000
Contracted but not provided for:	
Capital expenditure	1,228
Operating lease	810
Total	<u>2,038</u>

A14. 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.

A15. Related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The related party transaction of the Group was as follows:

	Current quarter RM'000	Period to date RM'000
Transactions with a person connected to certain Directors of the Company		
- Accounting fee paid	5	16



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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

Global economy remained uncertain despite the economic deterioration in some emerging economies has slowed.

Overall, the operating environment remained challenging for the Group's business in the third quarter of 2016.

Financial performance

The Group reported revenue of RM17.622 million in the current quarter and RM51.939 million in the cumulative period. The Group's profit before tax amounted to RM1.267 million for the current quarter. And for the 9 months period, the Group's profit before tax was RM1.893 million.

There is no commentary on the comparison with last year corresponding periods since no comparatives are available due to the change in financial year end.

B2. Comment on material change in profit before tax

The Group recorded a profit before tax of RM1.267 million in the current quarter as compared to RM0.995 million in the preceding quarter ended 30 June 2016. The increase in profit before tax was in tandem with the increase in revenue and improved in profit margins for sales in the current quarter.

B3. Future prospects

The market conditions remained uncertain in 2016 due to slow growth in global economy and volatility of the Ringgit against US Dollar.

Premised on the above, the Group remained cautious on the overall outlook for the financial period ending 31 March 2017.

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 period ending 31 March 2017.

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.



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B6. Income tax expense

	Current quarter RM'000	Period to date RM'000
Income tax	288	665
Deferred tax	88	(19)
	<u>376</u>	<u>646</u>

The effective tax rate of the Group is higher than the statutory tax rate of 24% mainly due to certain expenses which were not deductible for income tax purposes and losses of certain subsidiaries cannot be set off against taxable profits generated by the other subsidiaries.

B7. Status of corporate proposals

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

B8. Borrowings and debt securities

The Group's loans and borrowings as at the end of the reporting period were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
<i>Secured</i>			
Term loans	3,780	5,646	9,426
Finance lease liabilities	1,059	1,117	2,176
Bank overdraft	1,985	-	1,985
Other bank facilities	2,349	-	2,349
	<u>9,173</u>	<u>6,763</u>	<u>15,936</u>

Loans and borrowings denominated in currencies other than Ringgit Malaysia were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
United States Dollar	465	-	465
Vietnamese Dong	772	61	833
Indian Rupees	53	85	138

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

On 24 November 2016, the Company declared an interim single-tier dividend of 2.5% equivalent to 0.25 sen per ordinary share in respect of financial year ending 31 March 2017, to be paid on 28 December 2016 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 13 December 2016.



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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 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)	874	1,257
Weighted average number of ordinary shares in issue (units)	241,994,985	241,994,985
Basic earnings per ordinary share (sen)	<u>0.36</u>	<u>0.52</u>

Diluted earnings per ordinary share

Not applicable.

B12. Auditor's report on preceding annual financial statements

The auditor's report on the audited financial statements for the year ended 31 December 2015 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	1,438	4,288
Loss on foreign exchange	-	693
Interest expense	245	803
and after crediting:		
Amortisation of deferred income	10	30
Gain on foreign exchange	279	-
Gain on disposal of property, plant and equipment	-	433
Interest income	17	36

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 and period ended 30 September 2016.

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 2016.

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 2015.

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 30 September 2016 RM'000	As at 31 December 2015 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	33,657	36,514
- Unrealised	(1,254)	(533)
	<hr/> 32,403	<hr/> 35,981
Less: Consolidation adjustments	(13,516)	(18,351)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 18,887	<hr/> <hr/> 17,630