



LNG RESOURCES BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2014 - unaudited

	Current quarter Three months ended 31 March		Cumulative quarter Three months ended 31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	14,505	9,099	14,505	9,099
Cost of sales	(12,286)	(6,785)	(12,286)	(6,785)
Gross profit	2,219	2,314	2,219	2,314
Other income	269	169	269	169
Selling and distribution expenses	(76)	(77)	(76)	(77)
Administrative expenses	(1,706)	(1,410)	(1,706)	(1,410)
Other expenses	(179)	(361)	(179)	(361)
Operating profit	527	635	527	635
Interest income	19	30	19	30
Finance costs	(341)	(106)	(341)	(106)
Profit before tax	205	559	205	559
Income tax expense	(142)	(206)	(142)	(206)
Profit for the period	63	353	63	353
Other comprehensive loss 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	(36)	(41)	(36)	(41)
Total comprehensive income for the period	27	312	27	312
Profit/(Loss) attributable to:				
Owners of the Company	23	371	23	371
Non-controlling interests	40	(18)	40	(18)
Profit for the period	63	353	63	353
Total comprehensive income/(loss) attributable to:				
Owners of the Company	(15)	329	(15)	329
Non-controlling interests	42	(17)	42	(17)
Total comprehensive income for the period	27	312	27	312



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

For the three months ended 31 March 2014 - unaudited

	Current quarter		Cumulative quarter	
	Three months ended		Three months ended	
	31 March		31 March	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Earnings/(Loss) per ordinary share attributable to owners of the Company (sen per share)				
Basic	0.01	0.17	0.01	0.17
Diluted	-	-	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying notes attached to the interim financial statements.



LNG RESOURCES BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	31 March 2014 (Unaudited) RM'000	31 December 2013 (Audited) RM'000
Assets		
Non-current assets		
Property, plant and equipment	39,784	39,581
Prepaid lease payments	2,225	2,251
Investment property	784	789
Goodwill	13,568	13,568
	<u>56,361</u>	<u>56,189</u>
Current assets		
Inventories	14,292	15,226
Trade and other receivables	13,830	14,991
Prepayments	556	310
Tax recoverable	513	313
Cash and bank balances	7,788	7,579
	<u>36,979</u>	<u>38,419</u>
Total assets	<u>93,340</u>	<u>94,608</u>
Equity and liabilities		
Equity		
Share capital	24,199	24,199
Share premium	12,576	12,576
Other reserve	(1,826)	(1,826)
Translation reserve	28	66
Treasury shares	(567)	(567)
Retained earnings	22,548	22,525
Equity attributable to owners of the Company	<u>56,958</u>	<u>56,973</u>
Non-controlling interests	<u>99</u>	<u>57</u>
Total equity	<u>57,057</u>	<u>57,030</u>
Non-current liabilities		
Loans and borrowings	13,632	13,617
Deferred income on government grant	400	400
Deferred tax liabilities	2,431	2,439
	<u>16,463</u>	<u>16,456</u>
Current liabilities		
Trade and other payables	8,831	11,199
Derivative liability	-	7
Loans and borrowings	10,563	9,365
Income tax liabilities	426	551
	<u>19,820</u>	<u>21,122</u>
Total liabilities	<u>36,283</u>	<u>37,578</u>
Total equity and liabilities	<u>93,340</u>	<u>94,608</u>
Net assets per share attributable to owners of the Company (RM)	<u>0.24</u>	<u>0.24</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying notes attached to the interim financial statements.



LNG RESOURCES BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014 - unaudited

	Attributable to owners of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	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 2014	24,199	12,576	(1,826)	66	(567)	22,525	56,973	57	57,030
Foreign currency translation differences for foreign operations	-	-	-	(38)	-	-	(38)	2	(36)
Other comprehensive income for the year	-	-	-	(38)	-	-	(38)	2	(36)
Profit for the year	-	-	-	-	-	23	23	40	63
Total comprehensive income for the year	-	-	-	(38)	-	23	(15)	42	27
Total transactions with owners	-	-	-	-	-	-	-	-	-
At 31 March 2014	24,199	12,576	(1,826)	28	(567)	22,548	56,958	99	57,057



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the three months ended 31 March 2014 - unaudited

	Attributable to owners of the Company						Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	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 2013	18,982	5,828	-	(8)	(567)	15,666	39,901	32	39,933
Foreign currency translation differences for foreign operations	-	-	-	(42)	-	-	(42)	1	(41)
Other comprehensive income for the year	-	-	-	(42)	-	-	(42)	1	(41)
Profit for the year	-	-	-	-	-	371	371	(18)	353
Total comprehensive income for the year	-	-	-	(42)	-	371	329	(17)	312
Issuance of new ordinary shares in relation to acquisition of subsidiary	5,217	6,783	-	-	-	-	12,000	-	12,000
Share issue expenses	-	(35)	-	-	-	-	(35)	-	(35)
Adjustment on premium of shares issued on acquisition of subsidiary	-	-	(1,826)	-	-	-	(1,826)	-	(1,826)
Total transactions with owners	5,217	6,748	(1,826)	-	-	-	10,139	-	10,139
At 31 March 2013	24,199	12,576	(1,826)	(50)	(567)	16,037	50,369	15	50,384

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 three months ended 31 March 2014 – unaudited

	Three months ended 31 March	
	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before tax	205	559
Adjustments for:		
Amortisation of prepaid lease payments	26	26
Depreciation	1,177	817
Loss on disposal of property, plant and equipment	178	-
Unrealised loss/(gain) on foreign exchange	1	(22)
Acquisition related costs	-	361
Interest expense	318	94
Interest income	(19)	(30)
Operating profit before changes in working capital	1,886	1,805
Changes in:		
Inventories	934	(612)
Trade and other receivables and prepayments	897	3,836
Trade and other payables	(1,663)	(834)
Cash generated from operations	2,054	4,195
Interest paid	(318)	(94)
Tax refunded	-	5
Tax paid	(474)	(287)
Net cash from operating activities	1,262	3,819
Cash flows from investing activities		
Interest received	23	38
Proceeds from disposal of property, plant and equipment	304	-
Purchase of property, plant and equipment	(2,523)	(898)
Acquisition related costs paid	-	(152)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(11,009)
Net cash used in investing activities	(2,196)	(12,021)
Cash flows from financing activities		
Repayment of finance lease liabilities	(548)	(167)
Repayment of term loans	(589)	(225)
Net increase/(decrease) in other loans and borrowings	382	(118)
Drawdown of term loans	1,266	-
Share issue expenses paid	-	(35)
Net cash from/(used in) financing activities	511	(545)
Net decrease in cash and cash equivalents	(423)	(8,747)
Foreign currency translation differences	(71)	(8)
Cash and cash equivalents at 1 January	4,480	10,568
Cash and cash equivalents at 31 December	3,986	1,813



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued) For the three months ended 31 March 2014 – unaudited

	Three months ended 31 March	
	2014 RM'000	2013 RM'000
Cash and cash equivalents comprise of:		
Cash and bank balances	7,788	4,638
Bank overdrafts	(3,004)	(2,544)
Pledged deposits	(798)	(281)
	<u>3,986</u>	<u>1,813</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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. 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 2013.

The consolidated financial statements of the Group for the year ended 31 December 2013 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 2013.

A2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following MFRSs, Amendments and IC Interpretations:

Effective for financial periods beginning on or after 1 January 2014

- Amendments to MFRS 10 Consolidated Financial Statements : Investment Entities
- Amendments to MFRS 12 Disclosure of Interests in Other Entities : Investment Entities
- Amendments to MFRS 127 Separate Financial Statements : Investment Entities
- Amendments to MFRS 132 Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136 Impairment of Assets : Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139 Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretations 21 Levies

The Directors expect that the adoption of the above MFRSs, Amendments and 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.

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.



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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

There were no dividends paid during the period under review.

A8. Segment information

The Group is organised and managed into business units based on their products and services, and has three 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.
- 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.

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 year ended 31 March 2014 was as follows:

	Precision engineering RM'000	Precision plastic injection moulding RM'000	Precision machining and stamping RM'000	Total RM'000
External revenue	2,500	4,193	7,812	14,505
Inter-segment revenue	129	-	-	129
Reportable segment profit	350	580	1,171	2,101
Reportable segment assets	25,250	12,871	41,412	79,533
Reportable segment liabilities	3,960	5,394	17,340	26,694



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A8. Segment information (continued)

Reconciliation of reportable segment profit:

	Period ended 31 March 2014
	RM'000
Total profit for reportable segments	2,101
Elimination of inter-segment profits	90
Depreciation and amortisation	(1,203)
Finance costs	(341)
Interest income	19
Unallocated corporate expenses	(461)
	<hr/>
Consolidated profit before tax	<u>205</u>

A9. Events after the end of the interim period

There were no events after the current period ended 31 March 2014 that has not been reflected in this quarterly report save as on 1 April 2014, the Company incorporated a wholly-owned subsidiary in Singapore, Edaran Resources Pte. Ltd. ("ERPL"). The issued and paid-up capital of ERPL is SGD100.00 divided into 100 ordinary shares of SGD1.00 each. ERPL's intended business activities are to carry out research and experimental development on engineering and to carry out business and management consultancy services including procurement and distribution activities.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current period ended 31 March 2014, save as disclosed below:

- (a) Falcon Furniture Industry Sdn Bhd and Venture Plastic Industries Sdn Bhd, two wholly-owned subsidiaries of the Company, which commenced voluntary winding-up on 31 January 2012, and held their final meeting on 30 September 2013 were dissolved on 1 January 2014.
- (b) All Metro Technology Sdn Bhd, a wholly-owned subsidiary of the Company, which commenced voluntary winding-up on 31 January 2012, and held its final meeting on 3 December 2013 was dissolved on 4 March 2014.

A11. Capital expenditure

The major additions of property, plant and equipment during the current quarter and period ended 31 March 2014 were as follows:

	Current quarter RM'000	Period to date RM'000
Additions	<hr/> 1,823	<hr/> 1,823



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A12. Capital commitments

The Group has the following capital commitment in respect of property, plant and equipment as at 31 March 2014.

	RM'000
Contracted but not provided for	<u>605</u>

A13. 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

Global semiconductor and connector industry growth remain positive with an encouraging start to 2014. Overall, the global economy continues on a steady upward trend despite the relatively slow pace of growth.

Financial performance

The Group reported revenue of RM14.505 million for the current period/quarter ended 31 March 2014, representing an increase of 59.4% as compared to the prior corresponding period/quarter ended 31 March 2013. The growth in revenue was mainly attributable to the higher revenue contribution from both precision plastic injection moulding and precision machining and stamping segments due to the increase in orders secured by both segments.

The Group's profit before tax for the current period/quarter ended 31 March 2014 of RM0.205 million was lower as compared to RM0.559 million reported in the prior corresponding period/quarter ended 31 March 2013 despite an increase in revenue. The decline was mainly due to increase in the sales of lower profit margin products by the precision machining and stamping segment. Apart from that, the decrease in profit before tax was also due to the lower revenue contribution by the precision engineering segment.

Precision engineering segment

Revenue from the precision engineering segment for the current period/quarter ended 31 March 2014 declined by 23.9% as compared to previous year's corresponding period/quarter. The decline in the revenue contribution from this segment was mainly due to the slowdown in customer orders for new connector moulds and connector parts.

Precision plastic injection moulding segment

Revenue from the precision plastic injection moulding segment for the current period/quarter ended 31 March 2014 increased significantly by 88.9% as compared to previous year's corresponding period/quarter. Revenue from this segment has been growing steadily since the third quarter of 2013 due to the additional orders secured for its over moulding services.

Precision machining and stamping segment

Revenue from the precision machining and stamping segment for the current period/quarter ended 31 March 2014 increased significantly by 117.3% as compared to previous year's corresponding period/quarter. In the previous year's corresponding period/quarter, this segment started to contribute revenue to the Group since its acquisition on 8 February 2013. Thus, the three months revenue contribution in the current period/quarter is considerably higher as compared to the two months revenue contribution in the previous year's corresponding period/quarter.

Gross profit

The Group's gross profit for the current period/quarter ended 31 March 2014 amounted to RM2.219 million, which is 4.1% lower compared to the previous year's corresponding period/quarter of RM2.314 million.



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B1. Performance review (continued)

Despite the significant increase in Group's revenue, the gross profit has declined mainly due to the increase in the revenue contribution from lower profit margin products generated by the precision machining and stamping segment coupled with the lower revenue contribution by the precision engineering segment whilst its production overheads were mainly fixed and semi-variable.

B2. Comment on material change in profit before tax

The Group's profit before tax for the current quarter ended 31 March 2014 dropped significantly to RM0.205 million as compared to RM5.040 million achieved in the preceding quarter ended 31 December 2013. The significant drop in profit before tax was in tandem with the decrease in revenue during the current quarter. Revenue generated during the current quarter was mainly from lower profit margin products by the precision machining and stamping segment. In addition, the precision engineering segment has contributed to the lower profit before tax for the current quarter due to the decrease in its revenue coupled with its fixed and semi-variable production overheads incurred in the current quarter.

B3. Future prospects

Despite that the global economy has shown an encouraging start to 2014, the general business environment remains fluid and any significant risks could undermine this recovery. The Group remains cautious on the overall outlook.

Barring any unforeseen circumstances, the Board of Directors is of the opinion that the performance of the Group for the financial year ending 31 December 2014 will be maintained as per year 2013.

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 ended 31 March 2014.

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	149	149
Deferred tax	(7)	(7)
	<u>142</u>	<u>142</u>

The effective tax rate of the Group is higher than the statutory tax rate of 25% principally due to the losses of the Company and a subsidiary cannot be set off against taxable profits made by other subsidiaries and certain expenses which were not deductible for income tax purposes.



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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 quarter were as follows:

	Short term RM'000	Long term RM'000	Total RM'000
<i>Secured</i>			
Term loans	2,578	12,358	14,936
Finance lease liabilities	1,112	1,274	2,386
Other bank facilities	3,791	-	3,791
Bank overdraft	3,004	-	3,004
<i>Unsecured</i>			
Term loans	78	-	78
	<u>10,563</u>	<u>13,632</u>	<u>24,195</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	1,421	152	1,573
Indian Rupees	10	34	44

B9. Material litigation

Save as disclosed below, 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.

ZDGP Technology Sdn Bhd ("Plaintiff") vs Oriental Fastech Manufacturing Sdn Bhd ("OFM")

On 21 September 2012, the Plaintiff commenced legal proceedings against OFM, at the High Court of Penang under suit no. [22NCVC-664-09/2012]. The Plaintiff is claiming for the amount of RM906,553.48, being the alleged amount outstanding for gold plating and passivation process services rendered to OFM, as well as interests and costs.

OFM's solicitors have filed a defence and counter-claim for OFM, praying that the Plaintiff's claim against OFM be dismissed with costs and counter-claiming against the Plaintiff for the sum of RM3,234,298.81, being general damages due to OFM for breach of contract, loss of goodwill and loss of reputation, interests and costs.

The Plaintiff then filed an application to amend its Writ and Statement Claim. The case has been fixed for trials on 16 October 2014 and 17 October 2014.

OFM's solicitors are of the view that OFM has a fairly good chance of succeeding in its counter-claim, hence no further provision has been made in the financial statements.



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B10. Dividends

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

B11. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter and financial period to date was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue, excluding treasury shares, in the respective periods as follows:

	Current quarter	Period to date
Profit attributable to owners of the Company (RM'000)	23	23
Weighted average number of ordinary shares in issue (units)	239,545,685	239,545,685
Basic earnings per ordinary share (sen)	<u>0.01</u>	<u>0.01</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 2013 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	26
Depreciation	1,177	1,177
Loss on disposal of property, plant and equipment	178	178
Loss on derivatives	2	2
Interest expense	318	318
and after crediting:		
Gain on foreign exchange	178	178
Interest income	19	19

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 31 March 2014.



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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 March 2014.

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 2013.

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 31 March 2014 RM'000	As at 31 December 2013 RM'000
Total retained profits of LNG Resources Berhad and its subsidiaries:		
- Realised	39,988	41,472
- Unrealised	(2,566)	(2,362)
	<hr/> 37,422	<hr/> 39,110
Less: Consolidation adjustments	(14,874)	(16,585)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 22,548	<hr/> <hr/> 22,525