THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your ordinary shares in Sumatec Resources Berhad (42B355-D) ("Sumatec" or "our Company"), you should at once hand this Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants (as defined herein), which is the subject of this Abridged Prospectus should be addressed to our Share Registrar, Mega Corporate Services Sdn Bhd at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 502S0 Kuala Lumpur.

This Abridged Prospectus, together with the NPA and RSF are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 21 October 2013. This Abridged Prospectus together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders (as defined herein) and their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither we nor M&A Securities Sdn Bhd (1S017-H) ("M&A Securities") shall accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Shareholders or their renouncee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

A copy of this Abridged Prospectus, together with the NPA and RSF, has been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, together with the NPA and RSF, has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of these documents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at the extraordinary general meeting held on 21 June 2013. Approval for the issuance of the Warrants (as defined herein) to non-resident shareholders of our Company has been obtained from Bank Negara Malaysia via its letter dated 7 February 2013. Approval-in-principle has also been obtained from Bursa Malaysia Securities Berhad (63599B-W) ("Bursa Securities") via its letter dated 29 January 2013 for the admission of the Warrants to the Official List of Bursa Securities and the listing of the Rights Shares (as defined herein) and new Sumatec Shares (as defined herein) to be issued upon exercise of the Warrants on the Main Market of Bursa Securities. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (165570-W) that all the Central Depository System accounts of the Entitled Shareholders have been duly credited and notices of allotment have been despatched to the Entitled Shareholders. Admission of the Warrants to the Official List of Bursa Securities and quotation of the Rights Shares, Warrants and new Sumatec Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants.

All the documentation relating to this Rights Issue with Warrants including this Abridged Prospectus, together with the NPA and RSF, have been seen and approved by our Board of Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

M&A Securities, being the Adviser, Managing Underwriter and Joint Underwriter for this Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.

SUMATEC RESOURCES BERHAD

(Company No. 428355-D)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,722,220,957 NEW ORDINARY SHARES OF RM0.14 EACH IN SUMATEC ("RIGHTS SHARES") TOGETHER WITH 680,555,239 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF FORTY-ONE (41) RIGHTS SHARES FOR EVERY TEN (10) EXISTING ORDINARY SHARES OF RM0.14 EACH IN SUMATEC TOGETHER WITH ONE (1) WARRANT FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED AT 5.00 P.M. ON 21 OCTOBER 2013 AT AN ISSUE PRICE OF RM0.175 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE

Adviser, Managing Underwriter and Joint Underwriter

M&A SECURITIES SDN BHD (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter

KENANGA INVESTMENT BANK BERHAD
A Participating Organisation of Bursa Malaysia Securities Berhad

Joint Underwriter

Mercury Securities Sdn. Bhd. (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date	:	Monday, 21 October 2013, at 5.00 P.M.
Last date and time for sale of provisional allotment of rights	:	Monday, 2B October 2013, at 5.00 P.M.
Last date and time for transfer of provisional allotment of rights	:	Thursday, 31 October 2013, at 4.00 P.M.
Last date and time for acceptance and payment	:	Wednesday, 6 November 2013, at S.00 P.M.*
Last date and time for excess application and payment	:	Wednesday, 6 November 2013, at 5.00 P.M.*

* or such later date and time as our Directors may determine and announce not less than two (2) Market Days (as defined herein) before the stipulated date and time.

This Abridged Prospectus is dated 21 October 2013

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSON SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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DEFINITIONS

Except where the context otherwise requires, the following definitions and abbreviations shall apply throughout this Abridged Prospectus, NPA and RSF:-

"Abridged Prospectus"	:	This abridged prospectus issued by Sumatec dated 21 October 2013
"Act"	:	Companies Act, 1965
"Addendum I"	:	Addendum to the JIA entered into between Sumatec, MELL and COG on 23 November 2012
"Addendum II"	:	Addendum to the JIA entered into between Sumatec, MELL and COG on 6 December 2012
"Addendum III"	:	Addendum to the JIA entered into between Sumatec, MELL and COG on 20 December 2012
"Addendum IV"	:	Addendum to the JIA entered into between Sumatec, MELL and COG on 17 January 2013
"Addendum V"	:	Addendum to the JIA entered into between Sumatec, MELL and COG on 23 January 2013
"Addendums"	:	Collectively, Addendum I, Addendum II, Addendum III, Addendum IV and Addendum V
"Amendment"	:	Amendment to our existing Memorandum and Articles of Association to facilitate the reduction in the par value of shares in Sumatec from RM0.35 per share to RM0.14 per share resulting from the Par Value Reduction
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of our Company
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CDS"	:	Central Depository System
"CDS Account(s)"	:	A securities account(s) established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depositories) Act, 1991 and the rules of Bursa Depository for the recording of deposits or withdrawal of securities and dealings in such securities by the depositor
"CMY"	:	Tan Sri Dato' Chua Ma Yu
"Code"	:	Malaysian Code on Take-overs and Mergers, 2010
"COG"	:	CaspiOilGas LLP (State Registered Certificate No. 17072-1910-TOO (IU)), an effective wholly-owned subsidiary of MELL

DEFINITIONS (CONT'D)

"Corston-Smith Asset Management"	:	Corston-Smith Asset Management Sdn Bhd (769082-H)
"Consequential Warrants"	:	Additional Existing Warrants to be issued pursuant to the adjustments to be made in accordance with the provisions of the Deed Poll as a result of the Issuance of Shares and Rights Issue with Warrants
"Court"	:	High Court of Malaya
"Deed Poll"	:	Deed poll dated 28 August 2013 constituting the Warrants
"Disposal"	:	Disposal of our entire 51% equity interest in Semua International Sdn Bhd to Hoe Leong Corporation Ltd and Setinggi Holdings Limited
"Diversification"	:	Diversification of the operations of our Group into the upstream oil and gas industry
"EBITDA"		Earnings before interest, taxation, depreciation and amortisation
"EGM"	:	Extraordinary general meeting
"Entitled Shareholder(s)"	:	Our shareholders whose names appear in the Record of Depositors of our Company on the Entitlement Date (including the holders of the Issue Shares)
"Entitlement Date"	:	At 5.00 p.m. on Monday, 21 October 2013, being the time and date which the Entitled Shareholder(s) must be registered in our Record of Depositors in order to be entitled to participate in the Rights Issue with Warrants
"EPS"	:	Earnings per share
"ESOS Options"	:	Existing outstanding ESOS options
"ESOS"	:	Our Company's existing employees' share option scheme
"Existing Deed Poll"	:	Deed poll dated 8 October 2010 constituting the Existing Warrants
"Existing Warrants"	:	Existing outstanding warrants 2011/2021 issued by our Company
"Existing Warrantholders"	:	The holders of the Existing Warrants
"FPE"	:	Financial period ended
"Framework Agreement"	:	Framework agreement dated 29 November 2011 between Sumatec and MELL for the proposed award of the PSC by COG, to Sumatec for the development and extraction of hydrocarbon in the Rakushechnoye Oil Field
"FYE"	:	Financial year ended
"Identified Placees"	:	Collectively, TSHS, CMY, Corston-Smith Asset Management, Loh Kim Kiong and TMSB

DEFINITIONS (CONT'D)

"Increase in Authorised Share Capital"	:	Increase in our authorised share capital from RM300,000,000 comprising 857,142,857 ordinary shares of RM0.35 each to RM1,000,000,000 comprising 7,142,857,143 ordinary shares of RM0.14 each
"IMR" or "Protégé Associates"		Protégé Associates Sdn Bhd (675767-H)
"IMR Report"		Independent market research report titled "Strategic Analysis of the Oil and Gas Industry in Kazakhstan" dated February 2013 prepared by the IMR
"Issuance of Shares"	:	Issuance of 335,000,000 Issue Shares to the Identified Placees at an issue price of RM0.175 per Sumatec Share
"Issue Shares"	:	335,000,000 new Sumatec Shares issued pursuant to the Issuance of Shares
"JIA"	:	Joint investment agreement dated 8 March 2012 entered into between Sumatec, MELL and COG for inter-alia, the appointment of Sumatec to carry out the operations related to the production of hydrocarbon (i.e. oil and gas) from the Rakushechnoye Oil Field
"Joint Underwriters"	:	The joint underwriters as specified under the Corporate Directory of this Abridged Prospectus
"km"	:	Kilometre
"LAT"	:	Loss after tax
"LBT"	:	Loss before tax
"LPD"	:	1 October 2013, being the latest practicable date prior to the issuance of this Abridged Prospectus
"LPS"	:	Loss per share
"M&A Securities" or "Adviser" or "Managing Underwriter" or "Joint Underwriter"	:	M&A Securities Sdn Bhd (15017-H)
"Market Day(s)"	:	A day on which Bursa Securities is opened for trading of securities
"MELL"	:	Markmore Energy (Labuan) Limited (Company No. LL04728)
"mmbo"	:	Million barrels of oil
"mmboe"	:	Million barrels of oil equivalent
"MMLR"	:	Main Market Listing Requirements of Bursa Securities
"NA"	:	Net assets

DEFINITIONS (CONT'D)

"NPA"	:	Notice of provisional allotment in relation to the Rights Issue with Warrants
"NL"	:	Net liabilities
"NTA"	:	Net tangible assets
"Par Value Reduction"	:	Reduction of our existing issued and paid-up share capital comprising ordinary shares of RM0.35 each in Sumatec credited as fully paid-up via the cancellation of RM0.21 from the par value of each existing ordinary share of RM0.35 in Sumatec pursuant to Section 64 of the Act
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"PSC"	:	Production sharing contract
"PN17"	:	Practice Note No. 17 of the MMLR
"Regularisation Plan"	:	Collectively, the Par Value Reduction, Issuance of Shares, Rights Issue with Warrants, Scheme of Arrangement with Creditors, Amendment, Increase in Authorised Share Capital, Disposal and Diversification
"Rights Issue with Warrants"	:	Renounceable rights issue of up to 2,722,220,957 Rights Shares together with 680,555,239 Warrants on the basis of forty-one (41) Rights Shares for every ten (10) existing Sumatec Shares together with one (1) Warrant for every four (4) Rights Shares subscribed at the Entitlement Date at an issue price of RM0.175 per Rights Share payable in full upon acceptance
"Rakushechnoye Oil Field"	:	The Rakushechnoye Field within blocks XXXVIII – 11 - F (partially), 12 - D (partially), XXXIX –11 – C (partially), 12 – A (partially) in the Karakiyan District of the Mangistau Oblast, Kazakhstan
"Record of Depositors"	:	A record of depositors established by Bursa Depository under the rules of Bursa Depository as amended from time to time
"Rights Shares"	:	Up to 2,722,220,957 new Sumatec Shares to be issued pursuant to the Rights Issue with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights subscription form in relation to the Rights Issue with Warrants
"SC"	:	Securities Commission Malaysia
"Scheme of Arrangement with Creditors"	:	Scheme of arrangement and compromise pursuant to Section 176 of the Act in respect of the amounts owing to the scheme creditors aggregating RM113.99 million as at 31 December 2011
"Sumatec Group" or "Group"	:	Sumatec and its subsidiaries

DEFINITIONS (CONT'D)

"Sumatec Shares" or "Shares"	:	Ordinary shares of RM0.14 each in Sumatec after the Par Value Reduction
"Sumatec" or "Company"	:	Sumatec Resources Berhad (428355-D)
"Tenge" or "KZT"	:	Kazakhstani tenge
"TMSB"	:	Tekad Mulia Sdn Bhd (529296-D)
"TSHS"	:	Tan Sri Dato' Seri Halim Saad
"Undertakings"	:	Irrevocable undertakings by the Identified Placees to subscribe for 335,000,000 Issue Shares under the Issuance of Shares and their entitlement to 1,610,525,485 Rights Shares under the Rights Issue with Warrants
"Underwriting Agreement"	:	Underwriting agreement dated 29 August 2013 relating to the Rights Issue with Warrants
"USD"	:	United States Dollar
"VAT"	:	Value added tax
"Warrants"	:	Up to 680,555,239 free detachable warrants to be issued pursuant to the Rights Issue with Warrants
"5D-WAMP"	:	Five (5) day volume weighted average market price

References to "we", "us", "our" and "ourselves" are to our Company and save where the context otherwise requires, our subsidiaries. All references to "you" in this Abridged Prospectus are to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

Exchange rates

Unless otherwise stated, the following foreign exchange rate is utilised throughout this Abridged Prospectus:

USD1.00 : RM3.10

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Designation)	Age	Address	Nationality	Occupation
Wan Kamaruddin bin Dato' Biji Sura @ Wan Abdullah *(Executive Vice Chairman)*	57	11, Medan Athinahapan 2 Taman Tun Dr. Ismail 60000 Kuala Lumpur	Malaysian	Director
Chan Yok Peng *(Managing Director)*	61	No. 10, Jalan Bidai U8/23 Taman Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	Malaysian	Director
Ismail bin Ibrahim *(Independent Non-Executive Director)*	59	47, Jalan BU 6/5 Bandar Utama 47400 Petaling Jaya Selangor Darul Ehsan	Malaysian	Director
Dato' Mazlan bin Nasiron *(Independent Non-Executive Director)*	48	4, Jalan Kubah U8/49 Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	Malaysian	Director
Wan Mohamad Shukri bin Wan Ab. Kadir *(Independent Non-Executive Director)*	43	49, Jalan Sepah Puteri 5/20 Kota Damansara PJU 5 47810 Petaling Jaya Selangor Darul Ehsan	Malaysian	Director
Mohamad Bin Ismail *(Independent Non-Executive Director)*	62	57, Jalan Suadamai 10/1 Bandar Tun Hussein Onn 43200 Cheras Selangor Darul Ehsan	Malaysian	Director

AUDIT COMMITTEE

Name	Designation	Directorship
Ismail bin Ibrahim	Chairman	Independent Non-Executive Director
Mohamad Bin Ismail	Member	Independent Non-Executive Director
Wan Mohamad Shukri bin Wan Ab. Kadir	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES	**Lim Seck Wah (MAICSA 0799845)** **M. Chandrasegaran a/l S. Murugasu (MAICSA 0781031)** c/o Mega Corporate Services Sdn Bhd Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone number: 03-26924271
REGISTERED OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone number: 03-26924271
HEAD/MANAGEMENT OFFICE	43G & 43-1, The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone number: 03-2283 1368 Email address: sumatec@sumatec.com Website: www.sumatec.com
PRINCIPAL BANKER	**Al-Rajhi Banking & Investment Corporation (Malaysia) Berhad** Ground Floor, East Block Wisma Selangor Dredging 142-B, Jalan Ampang 50450 Kuala Lumpur Telephone number: 03-23017000
AUDITORS/REPORTING ACCOUNTANTS	**SJ Grant Thornton (AF 0737)** **Chartered Accountants** Level 11, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone number: 03-26924022
SHARE REGISTRAR	**Mega Corporate Services Sdn Bhd** Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone number: 03-26924271
SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS	**Bahari & Bahari** D4-U3-13, Solaris Dutamas No. 1, Jalan Dutamas 1 50480 Kuala Lumpur Telephone number: 03-62054777

CORPORATE DIRECTORY (CONT'D)

SOLICITORS TO OUR COMPANY FOR KAZAKHSTAN LAW

Signum Law Firm

Office 404, Floor 4
Block 15, Nurly-Tau Business Center
Al-Farabi Avenue 19
Almaty 050059
Kazakhstan
Telephone number: +77273111700

ADVISER AND MANAGING UNDERWRITER FOR THE RIGHTS ISSUE WITH WARRANTS

M&A Securities Sdn Bhd

No. 45-3, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone number: 03-22842911

JOINT UNDERWRITERS FOR THE RIGHTS ISSUE WITH WARRANTS

M&A Securities Sdn Bhd

No. 45-3, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Telephone number: 03-22842911

Kenanga Investment Bank Berhad

8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Telephone number: 03-21649080

Mercury Securities Sdn Bhd

Ground, 1st, 2nd and 3rd Floor
Wisma UMNO, Lorong Bagan Luar Dua
12000 Butterworth, Seberang Perai
Penang
Telephone number: 04-3322 123

INDEPENDENT MARKET RESEARCHER

Protégé Associates Sdn Bhd

Suite C-06-06, Plaza Mont' Kiara
2 Jalan Kiara
Mont' Kiara
50480 Kuala Lumpur
Telephone number: 03-62019301

TECHNICAL CONSULTANT

SRK Consulting (Australasia) Pty Ltd

Level 1, 10 Richardson Street
West Perth, WA 6005
Australia
Telephone number: +61892882000

CORPORATE DIRECTORY (CONT'D)

STOCK EXCHANGE LISTING	Main Market of Bursa Securities

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SUMATEC

SUMATEC RESOURCES BERHAD
(Company No. 428355-D)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 15-2, Bangunan
Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

21 October 2013

Directors:

Wan Kamaruddin bin Dato' Biji Sura @ Wan Abdullah *(Executive Vice Chairman)*
Chan Yok Peng *(Managing Director)*
Ismail bin Ibrahim *(Independent Non-Executive Director)*
Dato' Mazlan bin Nasiron *(Independent Non-Executive Director)*
Wan Mohamad Shukri bin Wan Ab. Kadir *(Independent Non-Executive Director)*
Mohamad Bin Ismail *(Independent Non-Executive Director)*

To: The Entitled Shareholders of Sumatec

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,722,220,957 RIGHTS SHARES TOGETHER WITH 680,555,239 WARRANTS ON THE BASIS OF FORTY-ONE (41) RIGHTS SHARES FOR EVERY TEN (10) EXISTING SUMATEC SHARES TOGETHER WITH ONE (1) WARRANT FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED AT THE ENTITLEMENT DATE AT AN ISSUE PRICE OF RM0.175 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE

1. INTRODUCTION

On 29 April 2011, it was announced that Sumatec has been classified as an affected listed issuer under Paragraph 2.1(d) of PN17. The PN17 criteria was triggered resulting from our auditors expressing a disclaimer opinion in relation to our audited financial statements for the FYE 31 December 2010.

Bursa Securities had vide its letters dated 29 January 2013 and 10 April 2013 resolved to approve the Regularisation Plan and the following:-

(a) Admission to the Official List and the listing of up to 680,555,239 Warrants to be issued pursuant to the Rights Issue with Warrants on the Main Market of Bursa Securities;

(b) The listing of:-

    (i) Up to 335,000,000 new Sumatec Shares to be issued pursuant to the Issuance of Shares;
    (ii) Up to 2,722,220,957 new Sumatec Shares to be issued pursuant to the Rights Issue with Warrants;

(iii) Up to 680,555,239 new Sumatec Shares to be issued pursuant to the exercise of the Warrants; and

(iv) Up to 261,000,000 new Sumatec Shares to be issued pursuant to the Scheme of Arrangement with Creditors.

The abovesaid Bursa Securities' approval is subject to the following conditions:-

	Conditions	**Status of compliance**
(a)	Our Company to obtain shareholders' approval for the diversification in operations pursuant to Paragraph 10.13 of the MMLR for the diversification into the upstream oil and gas industry;	Complied. Shareholders' approval has been obtained for the Diversification at the EGM held on the 21 June 2013.
(b)	Our Company to conduct a valuation on the vessels owned by the Semua International Sdn Bhd group pursuant to Paragraph 10.04(6) of the MMLR and M&A Securities to comment as to whether the Disposal (including its disposal consideration) is fair and reasonable so far as the shareholders are concerned after taking into consideration of the valuation to be undertaken on the vessels owned by the Semua International Sdn Bhd group;	Complied.
(c)	M&A Securities and our Company to ensure that the provisions in the JIA are in compliance with the Kazakhstan laws prior to any payment to be made under Article 3 of the JIA. In this regard, M&A Securities and our Company are to furnish Bursa Securities with a written confirmation that the aforementioned condition has been met prior to the issuance of the circular to the shareholders;	Complied. M&A Securities and Sumatec had vide their letters dated 13 May 2013 confirmed on the aforementioned condition.
(d)	Sumatec and M&A Securities to fully comply with the relevant provisions under the MMLR pertaining to the implementation of the Regularisation Plan;	To be complied
(e)	Sumatec and M&A Securities to inform Bursa Securities upon the completion of the Regularisation Plan; and	To be complied
(f)	Sumatec to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Regularisation Plan is completed.	To be complied

On 13 February 2013, M&A Securities on behalf of Sumatec announced that BNM had vide its letter dated 7 February 2013 (received on 13 February 2013) granted permission to Sumatec for the following:-

(a) Remittance of funds amounting to USD135 million to finance the production of oil and gas from the Rakushechnoye Oil Field under the JIA; and

(b) Issuance of the Warrants to non-resident shareholders.

Sumatec is required to inform BNM in the event:-

(a) The remittance of funds is not undertaken within a period of 12 months from 7 February 2013, the permission of BNM is considered cancelled and Sumatec is required to obtain the prior permission of BNM should our Company intend to undertake the remittance of funds after the said deadline; and

(b) Any changes to the investment information including the termination of the said foreign investment proposal.

Should Sumatec execute any hedging contract to manage the exposure risk towards the foreign currency for its investment, the said contract is required to be:-

(a) Implemented only with local licensed banks; and

(b) Terminated by Sumatec when the said investment has been sold or has ended.

On 21 June 2013, M&A Securities had, on behalf of our Board, announced that our shareholders had, at an EGM held on 21 June 2013, approved the Regularisation Plan comprising following:

(i) Par Value Reduction;
(ii) Issuance of Shares;
(iii) Rights Issue with Warrants;
(iv) Scheme of Arrangement with Creditors;
(v) Amendment;
(vi) Increase in the Authorised Share Capital;
(vii) Disposal; and
(viii) Diversification.

A certified true extract of the ordinary resolution pertaining to the Rights Issue with Warrants, which was passed at the said EGM, is set out in **Appendix I** of this Abridged Prospectus.

On 14 August 2013, the Court had granted an order confirming the Par Value Reduction pursuant to Section 64 of the Act. The advertisement as required under the aforementioned order was published in the News Straits Times on 6 September 2013 and a copy of the sealed court order has been duly lodged with the Registrar of Companies on 27 August 2013, which marks the Par Value Reduction taking effect.

Bursa Securities had vide its letter dated 20 August 2013 resolved to approve the listing of:-

(a) up to 11,622,937 Consequential Warrants arising from the Adjustments; and

(b) up to 11,622,937 Sumatec Shares arising from the exercise of the Consequential Warrants,

on the Main Market of Bursa Securities subject to the following conditions:-

Conditions		Status of compliance
(a)	Sumatec and M&A Securities to fully comply with the relevant provisions under the MMLR pertaining to the implementation of the above proposals;	To be complied
(b)	Sumatec and M&A Securities to inform Bursa Securities upon the completion of the above proposals; and	To be complied
(c)	Sumatec to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the above proposals is completed.	To be complied

On 3 October 2013, M&A Securities, on our behalf, announced that the Entitlement Date has been fixed at 5.00 p.m. on 21 October 2013.

No person is authorised to give any information or make any representation not contained herein in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by M&A Securities or us.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants involves a renounceable rights issue of up to 2,722,220,957 new Rights Shares together with up to 680,555,239 Warrants at an issue price of RM0.175 per Rights Share on the basis of forty-one (41) Rights Shares for every ten (10) existing Sumatec Shares held on the Entitlement Date together with one (1) Warrant for every four (4) Rights Shares subscribed ("Maximum Scenario"). The maximum number of Rights Shares and Warrants was arrived at after assuming the exercise of all 107,182,110 Existing Warrants* and 7,410,000 ESOS Options*. The Rights Shares with Warrants will be offered to the Entitled Shareholders. For avoidance of doubt, the subscribers for the Issue Shares under the Issuance of Shares shall also be entitled to subscribe to the Rights Shares.

Note:

* *The 107,182,110 Existing Warrants and 7,410,000 ESOS Options were based on the date of the requisite announcement for the Regularisation Plan dated 27 April 2012 (which shall form the basis of the Maximum Scenario). As at the LPD, there are 107,182,110 Existing Warrants and 505,000 ESOS Options outstanding.*

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The Rights Shares which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable basis, more specified under Section 3.8 herein.

As at 27 April 2012*, the issued and paid-up share capital of Sumatec is RM75,027,477 comprising 214,364,221 ordinary shares of RM0.35 each, 107,182,110 Existing Warrants and 7,410,000 ESOS Options. Assuming none of the Existing Warrants and ESOS Options are exercised prior to the Entitlement Date, the number of Rights Shares to be issued is 2,252,393,306 Rights Shares and 563,098,327 Warrants ("Minimum Scenario").

Note:-

* *Based on the date of the requisite announcement for the Regularisation Plan (which shall form the basis of the Minimum Scenario)*

As at the LPD, the issued and paid-up share capital of Sumatec is RM30,574,490.94 comprising 218,389,221 Sumatec Shares, 107,182,110 Existing Warrants and 505,000 ESOS Options.

The shareholders of our Company who renounce their entitlements to the Rights Shares will not be entitled to the Warrants and shall be deemed to have also renounced their entitlements to the Warrants. The shareholders of Sumatec who accept only part of the Rights Shares shall only be entitled to the Warrants in the proportion to their acceptance of the Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded on the Main Market of Bursa Securities.

The said 680,555,239 Warrants shall only be issued to the Entitled Shareholders who subscribe for the Rights Shares pursuant to the Rights Issue with Warrants. Should the Entitled Shareholders renounce all or any part of their entitlements to the Rights Shares, they will not be entitled to the Warrants attached thereto. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights Shares. Any Rights Shares with Warrants not taken up or allotted for any reasons, if any, will be made available for application under the excess Rights Shares with Warrants application.

As you are an Entitled Shareholder and the Rights Shares are prescribed securities, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares with Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants if you so choose to.

Any dealing in our securities will be subject to, inter-alia, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the Rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights Shares with Warrants to be allotted and issued will be credited directly into the respective CDS Accounts of the successful applicants. No physical share or warrant certificates will be issued but notices will be despatched to the successful applicants.

2.2 Basis of determining the issue price of the Rights Shares and exercise price of the Warrants

The issue price of the Rights Shares and exercise price of the Warrants at RM0.175 was arrived at after taking into account:

(i) Our Group's NA of RM16.78 million and NL of RM33.26 million based on our audited financial statements for FYE 31 December 2010 and unaudited financial statements for FYE 31 December 2011 respectively (being the latest financial statements available on 27 April 2012 being the date of our Requisite Announcement for the Regularisation Plan);

(ii) The Regularisation Plan; and

(iii) The par value of Sumatec Shares (after the Par Value Reduction) of RM0.14 per Share.

The issue price and exercise price of RM0.175 per Share/Warrant represent a discount of 5.91% over the theoretical ex-rights price of RM0.186 calculated using the 5D-WAMP of Sumatec Shares up to 26 April 2012 of RM0.23, being the Market Day immediately preceding the day of our requisite announcement for the Regularisation Plan dated 27 April 2012.

2.3 Ranking of the Rights Shares and new Sumatec Shares to be issued

The Rights Shares shall, upon allotment and issue, rank pari passu in all respects with the existing Sumatec Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is before the date of allotment of the Rights Shares.

The new Sumatec Shares to be issued arising from the exercise of the Warrants will upon allotment and issue rank pari passu in all respects with the existing Sumatec Shares except that such new Sumatec Shares shall not be entitled to any dividends, rights, allotments, and/or other distributions on or prior to the allotment of the new Sumatec Shares arising from the exercise of the Warrants.

2.4 Salient terms of the Warrants

Please refer to **Appendix II** of this Abridged Prospectus for the salient terms of the Warrants.

2.5 Undertakings

Pursuant to the Rights Issue with Warrants, our Company had, procured the irrevocable written undertakings from the Identified Placees under the Issuance of Shares, to subscribe in full for their collective entitlements of 1,610,525,485 Rights Shares to be issued together with 402,631,371 Warrants, as disclosed in the table below:

Name	Existing Shares held as at LPD	~%	No. of Shares issued pursuant to the Issuance of Shares	^%	No. of Rights Shares to be subscribed under their respective Undertakings	@%	% of enlarged issued and paid-up share capital*
TSHS	-	-	150,400,000	44.90	616,640,000	27.38	25.04
CMY	-	-	30,000,000	8.96	123,000,000	5.46	5.00
Corston-Smith Asset Management	-	-	46,850,000	13.99	192,085,000	8.53	7.80
Loh Kim Kiong	-	-	12,750,000	3.80	52,275,000	2.32	2.12
TMSB	57,811,094	26.97	95,000,000	28.36	626,525,485	27.82	#25.45
Total	**57,811,094**	**26.97**	**335,000,000**	**100.00**	**1,610,525,485**	**71.50**	**65.41**

Notes:-

~ *For consistency of presentation, the total number of shares in issue is based on the date of our requisite announcement of 27 April 2012.*

^ *% of issue size of the Issuance of Shares of 335,000,000 Issue Shares*

@ *Based on the Minimum Scenario*

* *Each Identified Placee's total shareholding upon completion of the Regularisation Plan Based on Minimum Scenario and before the exercise of the Warrants/Existing Warrants*

Excludes 10.191 million new Sumatec Shares to be issued to TMSB pursuant to the Scheme of Arrangement with Creditors

Pursuant to the Undertakings, the Identified Placees had confirmed that they have sufficient financial resources to take up the aforementioned 1,610,525,485 Rights Shares and such confirmations have been verified by M&A Securities.

Our Company confirms that the Undertakings will not give rise to any consequences of mandatory general offer obligation pursuant to the Code immediately after the Rights Issue with Warrants.

However, should any of the Identified Placees exercise their Warrants, such that their respective resulting shareholdings in Sumatec increases above 33% or increase by more than 2% in any six (6) months period, he/it will be obliged under the Code to undertake a mandatory offer for all the remaining Sumatec Shares not already held by them respectively after the exercise of the Warrants. In such an event, the respective shareholders will seek the relevant exemptions under the Code should they not intend to undertake such mandatory offer.

2.6 Underwriting Agreement

Pursuant to the Underwriting Agreement, the Joint Underwriters had agreed to underwrite the remaining 641,867,821 Rights Shares (representing 28.50% of the total issue size under the Rights Issue with Warrants based on the Minimum Scenario) not covered by the Undertakings ("Underwritten Shares") at an underwriting commission of 3.0% of the total value of the Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement.

The number of Shares underwritten by each Joint Underwriter is as follows:-

	No. of Underwritten Shares
M&A Securities	421,867,821
Kenanga Investment Bank Berhad	170,000,000
Mercury Securities Sdn Bhd	50,000,000
	641,867,821

The underwritten commission for the Rights Shares and all reasonable costs in relation to the underwriting arrangement will be fully borne by our Company.

2.7 Details of other corporate exercises

As at the LPD, save for the other components of the Regularisation Plan, our Board confirms that there is no other outstanding corporate exercise which we intend to undertake, which have been announced but pending completion.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER OF THE PROVISIONAL ALLOTMENT OF RIGHTS SHARES WITH WARRANTS AND EXCESS APPLICATION

3.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisionally allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants (fractional entitlements, if any, having been disregarded). You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such provisionally allotted Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants if you choose to do so.

3.2 NPA

The provisionally allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the provisionally allotted Rights Shares with Warrants will be by book entries through CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. Entitled Shareholders and/or their renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

3.3 Last date and time of acceptance and payment

The last date and time for acceptance and payment for the Rights Shares with Warrants is on 6 November 2013 at 5.00 p.m., or such later date and time as may be determined by our Board at their absolute discretion and announced not less than two (2) Market Days before the stipulated date and time.

3.4 Procedure for full acceptance and payment

Acceptance and payment for the Rights Shares with Warrants provisionally allotted to you as an Entitled Shareholder or your renouncee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this Abridged Prospectus, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE), EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS, ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

You or your renouncee(s) (if applicable) accepting the provisionally allotted Rights Shares are required to complete Part I and Part II of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

Mega Corporate Services Sdn Bhd
Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 6 November 2013, being the last time and date for acceptance and payment, or such extended time and date as may be determined by our Board at their absolute discretion and announced not less than two (2) Market Days before the stipulated date and time.

One (1) RSF can only be used for acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of more than one (1) CDS Account. If successful, Rights Shares with Warrants subscribed by you or your renouncee(s) (if applicable) will be credited into the respective CDS Accounts where the provisionally allotted Rights Shares with Warrants are standing to the credit.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renouncee(s) (if applicable) should take note that a trading board lot for the Rights Shares with Warrants will comprise 100 Rights Shares and 100 Warrants each respectively. Successful applicants of the Rights Shares will be given free attached Warrants on the basis of one (1) Warrant for every four (4) Rights Share successfully subscribed for. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share. Fractions of a Rights Share and Warrant arising from the Rights Issue with Warrants will be dealt with by our Board as they may deem fit.

If acceptance and payment for the Rights Shares with Warrants provisionally allotted to you and/or your renouncee(s) (if applicable) is not received by our Share Registrar on 6 November 2013 by 5.00 p.m., being the last date and time for acceptance and payment, or such extended date and time as may be determined by our Board at their absolute discretion and announced not less than two (2) Market Days before the stipulated date and time, you and/or your renouncee(s) (if applicable) will be deemed to have declined the provisional allotment made to you and/or your renouncee(s) (if applicable) and it will be cancelled. Such Rights Shares with Warrants not taken up will be allotted to the applicants applying for excess Rights Shares with Warrants, and subsequently, to the Joint Underwriters, if the Rights Shares with Warrants are not fully taken up by such applicants. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

You or your renouncee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your stockbrokers, Bursa Securities' website (http://www.bursamalaysia.com), our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "M&A SECURITIES SDN BHD-SUMATEC RIGHTS" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

OUR BOARD RESERVES THE ABSOLUTE RIGHTS AND DISCRETION TO EITHER FULLY ACCEPT OR ACCEPT IN PART OR REJECT ANY APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR IN A CURRENCY OTHER THAN RM OR WITH EXCESS OR INSUFFICIENT REMITTANCES WITHOUT ASSIGNING ANY REASON(S) THEREFOR. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS OR SUCH OTHER DATE AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED ONLY IN PART, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5 Procedure for part acceptance

You can accept part of your provisionally allotted Rights Shares with Warrants. The minimum number of securities that can be subscribed for or accepted is one (1) Rights Share.

You must complete both Part I(a) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this Abridged Prospectus.

The portion of the provisionally allotted Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the provisional allotment of the Rights Shares with Warrants and the balance, if any, thereafter to the Joint Underwriters.

3.6 Procedure for sale/transfer of provisional allotment of Rights Shares with Warrants

As the provisionally allotted Rights Shares with Warrants are prescribed securities, you and/or your renounce(s) (if applicable) may sell/transfer all or part of your entitlement to the Rights Shares with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional allotted Rights Shares with Warrants standing to the credit of your CDS Accounts. To sell/transfer of all or part of your entitlement to the Rights Shares with Warrants, you and/or your renounce(s) (if applicable) may sell such entitlement in the open market or transfer to such persons as may be allowed pursuant to the rules of Bursa Depository.

In selling/transferring all or part of your provisionally allotted Rights Shares with Warrants, you and/or your renouncee(s) (if applicable) need not deliver any document including the RSF, to the stockbroker. However, you and/or your renouncee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchasers or transferees of the provisionally allotted Rights Shares with Warrants may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers or from our Share Registrar, or at our Registered Office. This Abridged Prospectus and RSF are also available on Bursa Securities' website (http://www.bursamalaysia.com).

3.7 Procedure for acceptance by renouncees

Renouncees who wish to accept the provisionally allotted Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our Registered Office or from the Bursa Securities' website (http://www.bursamalaysia.com) and complete the RSF, submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 3.4 of this Abridged Prospectus also applies to renouncees who wish to accept the provisionally allotted Rights Shares with Warrants.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENT OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF CAREFULLY.

3.8 Procedure for excess application

As an Entitled Shareholder, you and/or your renouncee(s) (if applicable) may apply for excess Rights Shares with Warrants in addition to the Right Shares with Warrants provisionally allotted to you and/or your renouncee(s) (if applicable) by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar at the address set out above, so as to arrive not later than 5.00 p.m. on 6 November 2013, being the last time and date for acceptance and payment, or such extended date and time as may be determined by our Board at their absolute discretion and announce not less than two (2) Market Days before the stipulated date and time.

Payment for the excess Rights Shares with Warrants applied for should be made in the same manner set out in Section 3.4 of this Abridged Prospectus, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed **"A/C PAYEE ONLY"** and made payable to **"M&A SECURITIES SDN BHD-SUMATEC EXCESS RIGHTS"** and endorsed on the reverse side with the name, address and CDS Account Number of the applicant in block letters to be received by our Share Registrar.

Our Board reserves the right to allot the excess Rights Shares with Warrants applied for under Part I(b) of this RSF, in such manner as they in their absolute discretion deem fit and expedient in the best interest of our Company, subject to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out below are achieved. It is the intention of the Board to allot the excess Rights Shares with Warrants in the following priority:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to our Entitled Shareholders who have applied for excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on their respective shareholdings in our Company as at the Entitlement Date; and

(iii) thirdly, for allocation to our Entitled Shareholders who have accepted the Rights Shares based on (ii) above, who have applied for excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Rights Shares with Warrants application; and

(iv) fourthly, for allocation to our renouncees(s) who have applied for the excess Rights Shares with Warrants on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Rights Shares with Warrants application.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS OR SUCH OTHER DATE AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

3.9 Form of issuance

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the rules of Bursa Depository shall apply in respect of the dealings in the said securities.

Failure to comply with the specific instructions or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificates will be issued to you under the Rights Shares with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts. The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the addresses shown in the Record of Depositors within eight (8) Market Days from the last date for acceptance and payment of the Rights Shares with Warrants.

Any person who intends to subscribe for the Rights Shares with Warrants as a renouncee by purchasing the provisional allotment of Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares with Warrants credited directly as prescribed securities into his CDS Account.

The excess Rights Shares with Warrants, if allotted to the successful applicant who has applied for excess Rights Shares with Warrants, will be credited directly as prescribed securities into his CDS Account.

3.10 Laws of foreign jurisdictions

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Shares with Warrants will not be made or offered in any foreign jurisdiction.

Foreign Entitled Shareholders or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

M&A Securities, our Company, our Board and officers and other experts would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or their renouncees (if applicable) are or may be subject to. Foreign Entitled Shareholders or their renouncees (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. M&A Securities, our Company, our Board and officers and other experts shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renouncees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this Abridged Prospectus together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or their renouncees (if applicable) may collect the Abridged Prospectus including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renouncee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against M&A Securities or us in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders or their renouncee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Shares with Warrants.

By signing any of the forms accompanying this Abridged Prospectus, the NPA, and the RSF, the foreign Entitled Shareholders or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) M&A Securities, our Company and our Board and officers and other experts that:

(i) we would not, by acting on the acceptance or renunciation in connection with the Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renouncees (if applicable) are or may be subject to;

(ii) they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

(iii) they are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) they are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) they have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares with Warrants; and

(vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this Abridged Prospectus, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders or their renouncees (if applicable) in any jurisdiction other than Malaysia.

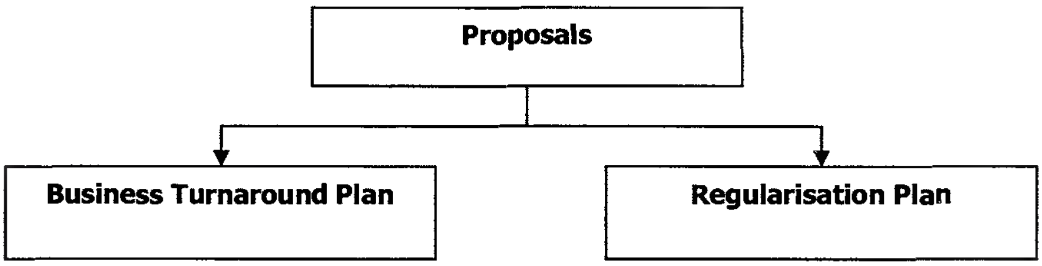
Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

On 29 April 2011, it was announced that Sumatec has been classified as an affected listed issuer under Paragraph 2.1(d) of PN17. The PN17 criteria were triggered resulting from our auditors expressing a disclaimer opinion in relation to our audited financial statements for the FYE 31 December 2010.

In an effort to address the issues that have resulted in the PN17 classification of Sumatec, our Board has proposed a two (2) pronged approach, comprising the Business Turnaround Plan (as defined hereunder) and Regularisation Plan.

The proposals are depicted as follows:-



The Business Turnaround Plan involves the appointment of Sumatec to carry out the operations relating to the production of hydrocarbon (i.e. oil and gas) from the Rakushechnoye Oil Field which forms the crux of our Company's business turnaround strategy through the JIA entered into between Sumatec with MELL and COG on 8 March 2012.

MELL was incorporated in the Federal Territory of Labuan on 4 March 2005 under the Offshore Companies Act 1990. Presently, its issued share capital is USD22,382,286 comprising 22,382,286 ordinary shares of USD1.00 each. The existing directors of MELL are TSHS and Abu Talib Bin Abdul Rahman.

MELL is a wholly-owned subsidiary of Markmore Sdn Bhd ("Markmore"), a company principally involved in investment holding. The directors of Markmore are TSHS and Abu Talib Bin Abdul Rahman. TSHS owns 99.99% equity stake in Markmore.

MELL is principally involved in investment holding and petroleum exploration and production. MELL is the sole shareholder of Markmore Central Asia B.V. ("MCA"), a company incorporated and registered under the laws of the Netherlands. MCA in turns wholly-owned COG which is a limited liability partnership incorporated and operating in Kazakhstan.

COG was established in 1998 and is principally involved in the exploration and production of hydrocarbons in Mangistau region of Kazakhstan. The entire ownership of COG was formally transferred to MCA in December 2010.

COG is the concession owner and operator of the Rakushechnoye Oil Field and the said field covers an area of approximately 354.5 square km and is located onshore next to Caspian Sea within the Mangyshlak peninsula in the south-western Manghystau province of Kazakhstan. The Rakushechnoye Oil Field is a 25-year oil and gas concession awarded to COG by the Ministry of Energy and Mineral Resources now known as Ministry of Oil and Gas of Kazakhstan on 26 August 2000 (and expiring on 25 August 2025).

SRK Consulting (Australasia) Pty Ltd has provided an assessment on Rakushechnoye Oil Field reserves and has estimated that the Rakushechnoye Oil Field has the following reserves:-

(mmboe)	**Oil**	**Gas**	**Total Oil and Gas**
Proved	5.2	17.2	22.4
Proved + Probable	32.8	89.3	122.1
Proved + Probable + Possible	74.7	257.0	331.7

The Regularisation Plan is intended to regularise our Group's financial condition and return our Group to stronger financial footing through the implementation of the following proposals:-

(i) Par Value Reduction;
(ii) Issuance of Shares;
(iii) Rights Issue with Warrants;
(iv) Scheme of Arrangement with Creditors;
(v) Amendment;
(vi) Increase in the Authorised Share Capital;
(vii) Disposal; and
(viii) Diversification.

The Rights Issue with Warrants (together with the Issuance of Shares) is undertaken primarily to enable Sumatec to raise funds to fund our existing working capital and funding requirements for our expansion of business in Kazakhstan through the JIA, which is expected to contribute positively to the earnings potential of Sumatec in the future and to defray estimated expenses for the Regularisation Plan. This will allow us to strengthen our balance sheet.

After due consideration of the various options available, our Board is of the view that the Rights Issue with Warrants is the most appropriate avenue for us as it will:-

(a) enable Sumatec to raise funds without incurring interest cost and to minimise any potential cash outflow in respect of interest servicing cost;

(b) allow our Group to be recapitalised after the Par Value Reduction; and

(c) the Warrants which are attached together with the Rights Shares will further increase the attractiveness of the Rights Issue with Warrants as they provide the Entitled Shareholders with the opportunity to increase their equity participation in Sumatec at a predetermined price during the tenure of the Warrants. In addition, the Warrants will enable Sumatec to raise further proceeds from the equity market as and when any of the Warrants are exercised.

Further information on the JIA is set out in **Appendix IV** of this Abridged Prospectus.

5. UTILISATION OF PROCEEDS

The Issuance of Shares and Rights Issue with Warrants are expected to raise gross proceeds of up to RM535,013,667. The details of the utilisation of gross proceeds are as follows:

Details	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Timeframe for utilisation (from the listing of the Rights Shares and Issue Shares)
Payments under the JIA[a]			
(i) Signature Bonus	31,000	31,000	Within 12 months
(ii) Cost Reimbursement	263,500	263,500	
(iii) Performance Deposit	124,000	124,000	
Working capital[b]	29,294	41,514	Within 24 months
Capital expenditure in relation to the opening of new wells	-	[c]70,000	Within 36 months
Estimated expenses in relation to the Regularisation Plan[d]	5,000	5,000	Within 3 months
Total	**452,794**	**535,014**	

Notes:-

(a) *Our Company had on 8 March 2012 entered into a JIA with MELL and COG for inter-alia, the appointment of our Company to carry out the operations related to the production of hydrocarbon (i.e. oil and gas) from the Rakushechnoye Oil Field. Under the terms of the JIA, our Company is required to reimburse the development costs payable under the JIA, which includes the Signature Bonus, Costs Reimbursement and Performance Deposit. Further terms of payment under the JIA are detailed in **Appendix IV** of this Abridged Prospectus. The said allocated amounts are paid in USD and are converted to RM based on the foreign exchange rate of RM3.10 to USD1.00 as at 27 April 2012. In the event of fluctuations of the prevailing foreign exchange rate at the time of payment, any excess/shortfall shall be allocated to/from the utilisation of working capital. We shall make the payments of the Signature Bonus, Costs Reimbursement and Performance Deposit to MELL and COG respectively or any of the parties nominated and authorised by MELL or COG.*

(b) *The breakdown of the utilisation for working capital is as follows:-*

Description		***Minimum Scenario (RM'000)***	***Maximum Scenario (RM'000)***
(i)	*Overheads and operating expenditure (including staff salaries and purchase of consumables)*	*21,800*	*25,200*
(ii)	*Project management/Technical consultancy cost*	*4,200*	*5,500*
(iii)	*Abandonment cost (cost associated with plugging of under-productive wells)*	*1,800*	*1,800*
(iv)	*Others/ancillary expenses*	*1,494*	*9,014*
		29,294	***41,514***

Notes:-

(i) *This includes our Group's overhead and salaries expenditures for special, field operating costs, which include the upgrading/installation costs to be incurred for the oil field camps, oil storage facilities and oil central processing facilities for the Rakushechnoye Oil Field. Part of this amount shall be utilised for the purchase of consumables such as raw materials, spare parts and other replacement parts.*

(ii) *This includes fees payable for technical/professional consultants appointed to provide geological and reservoir technical expertise, as well as the appointment of project managers for the Rakushechnoye Oil Field.*

(iii) *The abandonment costs (in the form of a monthly contribution on abandoning fund) shall be used at the end of each well life at the Rakushechnoye Oil Field, for the purpose of production shut down and to ensure that it is environmentally safe (as required by the Kazakhstan laws as well as the oil and gas ministry legislations of Kazakhstan).*

(iv) *These are additional funds allocated for operating expenses to be incurred for the operations of the Rakushechnoye Oil Field, which includes the supply of daily necessities/supplies (eg. fuel, food, water and other daily necessities), logistics supply, transportation costs and other ancillary costs to be incurred.*

(c) *The breakdown of the utilisation for capital expenditure in relation to the opening of new wells is as follows:-*

	Cost/well RM'000	***Total RM'000***
Capital cost relating four (4) new production wells	*17,050*	*68,200*
Contingency fund	-	*1,800*
Total		***70,000***

(d) *The estimated expenses of RM5.0 million for the Regularisation Plan comprise the following:-*

	RM
Professional fees (including placement fees and underwriting fees)	*4,590,000*
Fees to authorities	*210,000*
Printing, advertising and miscellaneous expenses	*200,000*
Total	***5,000,000***

If the actual expenses incurred pursuant to the Regularisation Plan are higher than the amount budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for working capital.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short term money market instruments will be used as additional working capital of our Group.

The proceeds arising from the exercise of Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants. For illustrative purposes, based on the exercise price of the Warrants of RM0.175 per Warrant, the gross proceeds expected to be raised from the exercise of Warrants pursuant to the Rights Issue with Warrants is up to RM119.1 million. Such proceeds shall be utilised for working capital requirements, business expansion and/or other investments.

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6. RISK FACTORS

In running our business activities, we face risks which may have potential impact to our Group's performance unless proper anticipation and mitigation measures are exercised.

In addition to other information contained in this Abridged Prospectus, you should carefully consider the following risk factors before subscribing for or investing in the Rights Issue with Warrants. You should take note that these risk factors are not exhaustive. There may be additional risk factors, which are not disclosed below, that are not presently known to us or that we currently deem to be less significant, which may materially and adversely affect our business, financial condition, results of operation and prospects.

6.1 Risks relating to the Rights Issue with Warrants

(i) No prior market for the Rights Shares and/or Warrants

There can be no assurance that there will be an active market for the Rights Shares and/or Warrants upon or subsequent to their listing on the Main Market of Bursa Securities or, if developed, that such a market sustainable or adequately liquid during the tenure of the Rights Shares and/or Warrants.

The market price of the Rights Shares and Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, inter-alia, trades in substantial amount of the Rights Shares and Warrants on the Main Market of Bursa Securities in the future, the market price and volatility of Sumatec Shares, announcements relating to the business of our Group, the financial performance of our Group, and exercise period of the Warrants.

In addition to the fundamentals of Sumatec, the future price performance of the Rights Shares and Warrants will also depend on various external factors such as the economic and political conditions of the country, sentiments and liquidity in the local stock market as well as the performance of regional and world bourses.

On the other hand, the market price of Sumatec Shares will be influenced by, inter-alia, the prevailing market sentiments, volatility of the stock market of the country, operating results of our Group and prospects of the industries in which our Group operates.

As each Rights Share will be issued at RM0.175, there can be no assurance that the market price of the Rights Shares, upon or subsequent to their listing, will remain at or above the issue price.

In addition, there can be no assurance that the exercise price of the Warrants will be less than the prevailing market price of Sumatec Shares during the tenure of the Rights Shares and Warrants respectively.

(ii) Delay in or abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

(a) *force majeure* events or events/circumstances, such as war, hostilities, riot, earthquake, epidemic, flood, fire and storm, which are beyond the control of our Company and Adviser, arising prior to the implementation of the Rights Issue with Warrants;

(b) the Identified Placees as set out in Section 2.5 above who have given the Undertakings to subscribe for the Rights Issue with Warrants may not fulfil or be able to fulfil its obligation; or

(c) failure of the any of the Joint Underwriters to honour its obligation pursuant to the terms and conditions in the Underwriting Agreement.

In this respect, all monies raised in the Rights Issue with Warrants which are held in a trust account for our Company will be refunded free of interest within 14 days to the entitled shareholders in the event the Rights Issue with Warrants is aborted. Monies not repaid within 14 days will be returned with interest at the rate of 10% per annum or at such other rates as may be prescribed by the SC. Notwithstanding the above, our Company will exercise its best endeavour to ensure the successful implementation of the Rights Issue with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue with Warrants.

(iii) Risks relating to our PN17 classification

The Regularisation Plan was approved by Bursa Securities vide its letter dated 29 January 2013. However, Bursa Securities shall only consider to uplift our PN17 classification after we have complied with the requirements under Paragraph 8.04 and PN17 of the MMLR.

In accordance with Paragraph 8.04(8) of the MMLR, in order for us to be removed from a PN17 classification, we must complete the implementation of our Regularisation Plan, and submit an application to Bursa Securities to demonstrate that our Company is no longer a PN17 company, together with all the necessary documentary evidence. In addition, pursuant to Paragraph 5.2 of PN17, as our Company is undertaking a regularisation plan which will not result in a significant change in the business direction or policy of our Company, we must, amongst others, record a net profit in two (2) consecutive quarterly results immediately after the completion of the implementation of the regularisation plan.

Our Company is expected to complete the implementation of the Regularisation Plan by the 4th quarter of 2013. However, in the event that we are unable to record a net profit in two (2) consecutive quarterly results immediately after the completion of the Regularisation Plan, there is a risk that our Company will continue to be classified under PN17 and/or Bursa Securities may suspend the trading of our Shares and de-list our Shares from the Official List (subject to our right to appeal against the de-listing).

Further, in accordance with Paragraph 8.04(9) of the MMLR, if our Company triggers any one (1) or more of the prescribed criteria in PN17 within three (3) years after the upliftment of our PN17 classification (subject to Bursa Securities' decision), our Company must undertake a regularisation plan which will result in a significant change in our Group's business direction or policy and submit the plan to the SC for approval.

There is no assurance that our Company will not trigger any one (1) or more of the prescribed criteria in PN17 of the Listing Requirements within three (3) years after the upliftment of our PN17 classification. Our Board expects our business prospects and financial performance to improve further, with amongst others, the diversification of our business to the upstream oil and gas industry and the contribution from the JIA.

(iv) Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on forecasts and assumptions made by our Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, *inter alia*, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

6.2 Risks relating to our Group

The JIA will expand our operations to the upstream oil and gas industry in Kazakhstan. As such, we are exposed to certain risks in the upstream oil and gas industry in Kazakhstan. These risks include, without limitation, the following:

(i) Reliance on third-party operator for crude oil transportation, manpower, machineries and equipment

The JIA requires Sumatec to utilise Kazakhstan personnel recruited locally or seconded from COG and selected by Sumatec, whenever Kazakhstan professionals/experts are available. Therefore, our Group is vulnerable to and dependent on the manpower and skilled labour availability in Kazakhstan which is regulated by its local employment law, where trade union is active.

Apart from that, our Group has to rely on third party provider for transportation of crude oil. As per the JIA, COG will designate their choice of transporter for the transportation of crude oil. Therefore, our Group is exposed to the risk of availability, frequency and transportation cost that are fixed by the third party.

The same goes for machineries and equipment that are required for carrying out the hydrocarbon extraction, production and development operations of the concession. Our Company is bound by the requirement to use local suppliers and therefore subject to the availability and pricing quote by local suppliers.

To mitigate this risk, our Group is in the midst of preparing a detailed integration plan between Sumatec's and COG's personnel so that different expectations from both sides can be addressed in the most amicable and professional manner. The plan takes into consideration Sumatec's ongoing discussions with COG's and MELL's personnel, who have been very helpful and transparent in sharing information as well as their future plans for the Rakushechnoye Oil Field.

(ii) Development plans for the Rakushechnoye Oil Field are subject to risks related to delay, non-completion and cost overruns which can result in suspension of crude oil production

There will be risks such as technical difficulties during the construction, testing and commencement of the operations that might not be resolved in a timely or cost-effective manner. The construction of these facilities may not be completed as scheduled or at all. When the development plans exceed the scheduled timeline, costs of the implementation and development will overrun. Sumatec is also exposed to the risk of interruption in the production of crude oil as per planned.

In mitigating these risks, COG already has 100 experienced personnel working on site. Our Group is also planning to engage world class international oil and gas service providers and consultants for the preparation of the field, geological and geographical studies as well as project management tasks in order to ensure that these risks and their possible impact can be reduced.

(iii) Unanticipated increased costs for planned capital expenditure

The oil and gas industry is very capital-intensive and requires technical expertise to operate. Due to the restrictions required in the JIA, investing in operations outside Malaysia means relying on third party to execute and supply most of the daily operation which has been discussed in subsection (i) above.

Competitive pressures on the oil field suppliers and contractors may push the service cost upwards and subsequently translates into higher than planned budget for our Group. Conditions such as the substantial increase in global price of commodities such as steel will also affect the cost of machineries and equipment that are required for carrying out the hydrocarbon extraction, production and development operations of the concession. In short, competitiveness in the oil and gas industry in Kazakhstan and global economic condition may subject our Group to unpredictable costs accretion of our Company's planned expenditure.

Nevertheless, due to the onshore nature of the field, our Group does not expect as high of an impact as compared to offshore oil and gas fields. Additionally, our Group will tender all of the service work out to local and international qualified contractors to ensure that the highest service quality is contracted for the best price. To ensure that the capital expenditure is managed through this tender process, our Group plans to tender out the workovers, sidetracks and infill wells on a turnkey basis with contracts lasting up to three (3) years, which are extendable at current rates, or will be re-tendered if the market price is seen to be dropping.

(iv) Fluctuation of crude oil price

Since February 2011, the price of crude oil has broken the USD100 per barrel mark and the price has been standing comfortably above USD100 per barrel ever since. As of September 2013, the crude oil price is recorded at USD109 per barrel. Higher crude oil price prove to be a boon to our Group especially when there are uncertainties caused by political instability among the oil producing country which bolsters the high price of crude oil. The current high price is due to demand exceeding supply.

However, Sumatec is also exposed to the stability of crude oil price once the political instability has settled down. Lower crude oil price will reflect a slower rebound of our Group's financial profile from the current state. Within this period of time, lower crude oil price may reduce our Group's viability to invest in the gas production in the Rakushechnoye Oil Field.

Nevertheless, in order to mitigate these risks moving forward, our Group may utilise derivative financial instruments such as commodity forwards and futures contracts, among others, in the ordinary course of business to hedge against the risks of price fluctuations of sales.

(v) Reserves and Production

SRK Consulting (Australasia) Pty Ltd has provided an assessment on Rakushechnoye Oil Field reserves and has estimated that the Rakushechnoye Oil Field has the following reserves:

(mmboe)	Oil	Gas	Total Oil and Gas
Proved	5.2	17.2	22.4
Proved + Probable	32.8	89.3	122.1
Proved + Probable + Possible	74.7	257.0	331.7

The abovesaid estimates of oil reserves provided by SRK Consulting (Australasia) Pty Ltd conform to the definitions and guidelines of the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers (SPE/AAPG/WPC/SPEE). The Canadian Oil and Gas Evaluation Handbook (2007) Volumes 1-3, by the SPEE Calgary Chapter elaborates the Petroleum Resources Management System guidelines. There are numerous uncertainties inherent in estimating the quantity and the quality of reserves and in projecting future rates of production, including many factors beyond Sumatec's control.

Estimating the amount and quality of crude oil and gas reserves is a subjective process and estimates made by different experts often vary significantly. In addition, results of drilling, testing and production subsequent to the date of an estimate may result in revisions to that estimate. Accordingly, reserves estimates may be different from the quantity or quality of crude oil and gas that is ultimately recovered and, consequently, the revenue derived therefrom could be less or more than that currently expected. The significance of such estimates depends heavily on the accuracy of the assumptions on which they are based, the quality of the information available and the ability to verify such information against industry standards.

Although there is no recourse under the terms of the JIA should the amount of oil and gas ultimately recovered differs significantly from the estimate reserves by experts, it should be noted that the Rakushechnoye Oil Field is already a producing oil and gas field. The geological and reservoir understanding of the sub surface is well developed and documented. The economical and operational risks are therefore significantly reduced compared to a prospect that has no wells drilled on it, or little or no production history. In addition, the certified reserves cover only 9% of the total area under the Rakushechnoye Oil Field. The southern part of the oil field is not yet included in these reserves and as such represents potential upside to Sumatec.

(vi) Drilling and production risks

Our Group's future success is dependent on the consistent ability to develop crude oil reserves in a timely and cost-effective manner. However, Sumatec may need to curtail, delay or cancel any drilling operations due to variety of factors including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of crude oil, natural gas or well fluids, pollution and other environmental risks, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

Our Group's production operations are also subject to risks associated with natural catastrophe, fire, explosion, blowouts, encountering formations with abnormal pressure, the level of water cut, cratering and crude oil spills, each of which could result in substantial damage to crude oil wells, production facilities, other property and environment or in personal injury. Any of these risks could result in loss of crude oil and could lead to environmental pollution and other damages to our Group's properties or surrounding areas and increased costs.

In mitigating these risks, COG already has 100 experienced personnel working on site. Our Group is also planning to engage world class international oil and gas service providers and consultants for the preparation of the field, geological and geographical studies as well as project management tasks in order to ensure that these operational risks and their possible impact can be reduced.

(vii) Revocation or termination of operatorship due to failure to comply with obligations under concession

In October 2007, Kazakhstan adopted legislation to amend the law "On Subsoil and Subsoil Use" ("Subsoil Law"). These amendments, which came into force on 3 November 2007, provide the government with the right to initiate reviews on subsurface use of contract terms and to unilaterally terminate subsurface use of contracts in respect of deposits of "strategic importance".

Other provisions of Kazakhstan laws provide that fines may be imposed and licenses and hydrocarbon contracts may be suspended, amended or terminated if a license holder fails to comply with its obligations under such documents or fails to make timely payments of levies or taxes for subsoil use, fails to provide the required geological information or fails to meet other reporting requirements. Failure to comply may also lead to suspension, revocation or termination of such licences and hydrocarbon contracts. Our Group's operation must be carried out in accordance with the relevant rules and regulations. If our Group were to fail to satisfy its obligation under these rules and regulations, its right to operate may be suspended, revoked or terminated.

To mitigate this risk, our Group plans to employ a local legal counsel who will provide advice on all regulatory requirements and prepare the required license/approval submissions. Our Group, together with COG, plan to have constant communication with the relevant authorities to obtain the latest updates on any new law requirements as well as update the relevant authorities on its activities. Should there be any obligations that our Group feels that it is unable to fully comply, our Group plans to alert the authorities promptly so that it can discuss directly with the government to address the matter in advance.

(viii) Cost of compliance with environmental regulations

On 19 June 2009, Kazakhstan has agreed to cap emission in accordance to Kyoto Protocol, a protocol to the United Nations Framework Convention on Climate Change, aimed at fighting global warming. Compliance with environmental regulations may make it necessary for our Group to undertake measures in connection with storage, handling, transportation, treatment or disposal of hazardous materials and waste and the remediation of contamination, where the costs may be substantial. There is likely increase cost of electricity and transportation, restrict emission levels, additional cost imposed for emissions in excess of permitted levels and increase costs for monitoring, reporting and financial accounting. Stricter environmental requirements such as governing discharges to air and water, the handling and disposal of solid and hazardous wastes, land use and reclamation and remediation of contamination may be adopted in near future, and that the environmental authorities may move to a stricter interpretation of existing legislation. The cost associated with such compliance.

Our Group's environmental liabilities will stem from gas flaring, the disposal of waste water and oil spillage. The costs of environmental compliance in the future and potential liability due to any environmental damage that may be caused by our Group could be material and even include the potential suspension or revocation of our Group's subsoil license.

To mitigate this risk, our Group plans to employ a local legal counsel who will advise on all regulatory and environmental requirements and prepare all the required license/approval submissions. In addition, our Group, together with COG, plan to maintain constant communication with the relevant authorities to keep abreast of any potential problems.

(ix) Risk of adverse sovereign action by the Kazakhstan Government

The oil and gas industry is central to Kazakhstan's economy and its future prospects for development, and thus can be expected to be the focus of continuing attention and debate. In similar circumstances in other developing countries, petroleum countries, petroleum companies may face the risks of expropriation or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they are intended to be exempt, denials of required permits and approvals, increase in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks. This may impact our Group negatively in terms of business, prospects, financial conditions and results of operations.

The laws and regulations of Kazakhstan are developing and uncertain. Any changes in laws, regulations and permit requirements to which our Group is subject to could cause substantial expenditure or subject our Group to material liabilities or other sanctions. There has also been a history of changes in the Kazakhstan tax legislation. The tax structure is modified and adapted according to the state of the economic condition. Therefore, our Group is exposed to the uncertainty of tax legislation that might be imposed on its operations in the future.

In view of sovereign, political and other country-related risks, our Group may face in the course of operating in Kazakhstan, our Group intends to acquire political risk insurance coverage from international insurers.

(x) Failure to comply with the Kazakhstan's laws in relation to the oil and gas industry

The operations of Sumatec relating to the production of oil and gas at the Rakushechnoye Oil Field are governed by the relevant laws and regulations of Kazakhstan. Any failure to comply with these laws and regulations may result in inter-alia, fines or other punitive actions which may adversely impact the operations and financial performance of our Group. Although, our Group plans to set up a comprehensive compliance framework and engage expert advisers to ensure the compliance with laws and regulations, there can be no assurance that this risk will not have any adverse impact on our Group.

(xi) Failure to acquire or renew the relevant permits and approvals required for the Petroleum Operations

The Petroleum Operations (as defined in **Appendix IV** of this Abridged Prospectus) require various permits and approvals from the Kazakhstan authorities. There may be a risk that Sumatec is not able to obtain all necessary permits and approvals. If Sumatec is not able to obtain or renew such permits or approvals necessary for the Petroleum Operations, our operations may be adversely affected. In addition, obtaining all necessary permits and approvals may necessitate substantial expenditures and may create a risk of delays or loss of value if the project is unable to function as planned due to changing requirements.

To mitigate this risk, we will work closely together with COG and other experts to ensure that relevant permits and approvals from the authorities are obtained in a timely manner.

(xii) Risk of fluctuation in foreign exchange rates

Our operations, which involve entering into oil and gas contracts as well as repatriation of income denominated in foreign currencies may be subjected to the risk of fluctuations in foreign exchange rates. These fluctuations in the foreign exchange rates could bring an adverse impact to our Group's financial performance as the local currency value of receivables may be eroded and payables may increase as a result of such fluctuations.

To mitigate against the impact of foreign exchange rates risk, we will engage financial consultant(s) to advise on the potential impact of the risk, and if required, devise a currency hedging plan for us.

Despite these mitigating factors, there can be no assurance that our Group's financial results will not be materially impacted in the event of an unfavourable economic event such as financial crisis.

(xiii) Ability to retain and recruit skilled personnel and professional staff

Skilled human capital is one of the key success factors for our Group's operations in Kazakhstan. As such, our Group has begun to establish a reliable operations team comprising key skilled personnel and professional staff, with the necessary experience and expertise to run successful operations in Kazakhstan. As such, any loss of our Group's key personnel may have an adverse impact on our Group's day-to-day operations.

To retain our Group's human capital, competitive remuneration packages will be provided to recognise contribution towards our Group's success. Although most of the key employees have had good working relationships with our Group since its inception, there can be no assurance our Group will able to retain the employees in the future. Nevertheless, in the event of attrition, Kazakhstan's thriving oil and gas sector provides the necessary pool of skilled personnel from which our Group would be able to hire. As such, it is not highly likely that our Group will experience a shortage of skilled personnel, even with staff attrition.

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7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Our Group will operate in the upstream oil and gas industry.

7.1 Overview and prospects of the global economy

The global growth outlook is expected to improve in 2013. Financial and policy risks have receded compared to the situation over the recent two (2) years. Policy measures introduced in the latter half of 2012 have reduced policy uncertainties and stress in the financial markets. In the advanced economies, the pace of recovery is likely to be weak, with the differential in national growth rates reflecting the degree of economic and financial stress in the individual economies. The outlook for the emerging economies is relatively more favourable, despite their vulnerability to external developments. For most of these economies, domestic demand remains the key driver of growth. Key to the trajectory of inflation will be the prices of commodities, in particular, oil and food crops. Overall, the pace of global growth would be contingent on the strength of the revival in private sector activity in the US, the commitment towards a credible and comprehensive set of crisis resolution policies in the euro area and the sustainability of domestic demand in the emerging economies.

The US economy is expected to register modest growth, supported by an improvement in private demand which is expected to partially offset the ongoing fiscal consolidation. Consumption activity will remain a key driver of the private sector-led growth, supported by a recovery in the housing and labour markets. In the housing market, the improvements observed towards the second half of 2012 - in sales, construction starts and prices - are expected to continue in 2013 amid an accommodative interest rate environment. The positive developments in the housing market have already been translated into higher consumer confidence and employment, particularly in the construction sector. The labour market is benefiting from sustained job creation, although the degree of improvement will be constrained by prevailing structural weaknesses including the elevated long-term unemployment rate and the decline in the labour force participation rate. A significant development is the improvements in the household balance sheet and its effects on consumer confidence. By mid-2012, household net worth improved by 27% since 2009, bolstered by the recovery in house prices and the progress in deleveraging. Nevertheless, a faster pace of recovery of the economy continues to be constrained by the fiscal headwinds. Although the 'fiscal cliff' was partially averted following the agreement on 1 January 2013 to extend selected tax cuts and unemployment benefits, other measures, such as the expiration of payroll tax and sequester cuts, could dampen the pace of recovery.

The economic performance in Asia is likely to improve in 2013, driven mainly by resilient domestic demand and a modest strengthening in export demand, particularly from the region. Government-led infrastructure investment will likely underpin the strength in domestic demand, particularly in the ASEAN economies. These initiatives include private-public partnerships in the Philippines, major infrastructure projects in Indonesia and rail transport network expansion programmes in Thailand and Singapore. Consumption growth will continue to be buttressed by income growth amid favourable labour market conditions, continued access to financing and government policy support, such as the implementation of, and increases in, minimum wages in several of the regional economies. In the more open economies, growth will be lifted by the gradual increase in global demand as the external environment improves. The economic expansion in People's Republic of China is expected to remain robust, with domestic economic activity set to become stronger during the year. While the Chinese government remains committed to restructuring the economy through efforts to boost consumption, targeted investments, particularly in infrastructure projects, will continue to be a key contributor to growth in the near term.

Global inflation is expected to remain moderate in tandem with the modest improvement in global demand. In the advanced economies, underlying inflationary pressures are expected to be subdued, reflecting excess capacity and weak demand in these economies. There are, however, signs of demand-pull inflationary pressures in the emerging economies following the stronger domestic activity. Nevertheless, on the supply side, the risk of cost-push inflation is expected to remain restrained, given the expectations of modest increases in the prices of global commodities. There are, however, risks of periodic spikes in commodity prices as have been observed over the recent two (2) years. In the oil market, an escalation of unrest in the Middle East and North Africa could lead to higher prices of crude oil. In addition, food prices are susceptible to fluctuations given the low inventory levels of staple grains in some key export markets and potential supply disruptions due to adverse weather conditions. Upside risks to commodity prices may also emanate from greater demand following rising financial flows into these markets.

It should be noted that there is some upside potential to growth. In the US, a stronger-than expected recovery in the housing market may support business and consumer sentiments, cumulatively leading to a strengthening of private sector-led growth. Credible progress in policy setting in Europe has contributed to a gradual improvement in financial market conditions, which could facilitate an improvement in economic activity in the region. A firmer recovery would benefit the rest of the world through stronger trade activity and greater economic certainty.

(Source: Annual Report 2012, Bank Negara Malaysia)

7.2 Overview and prospects of the Malaysian economy

The Malaysian economy is expected to remain on a steady growth path, with an expansion of 5-6% in 2013. Economic activity will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in the external sector. Private investment is expected to remain robust, driven by capacity expansion by the domestic-oriented firms and the continued implementation of projects with long gestation periods. Investments by the external-oriented businesses is also expected to be higher amid the gradual improvement in external demand, while private consumption is projected to grow at a more moderate rate in the second half of the year, although it will continue to be well supported by sustained income growth and positive labour market conditions. Government spending is expected to record a lower growth given the ongoing consolidation of the Government's fiscal position and as the role of the private sector gains greater significance. In line with the more favourable external sector, gross exports are projected to record a higher growth in 2013 supported by the export of manufactured products. Gross imports are expected to moderate, in tandem with the projected trend in domestic demand. Overall, this is expected to result in a lower negative contribution to real GDP from net exports. As import growth continues to outpace export growth amid the continued deficit in the income account and in current transfers, the current account surplus, while still remaining significant is expected to narrow further in 2013.

On the supply side, all major economic sectors are expected to record continued expansion in 2013. The services and manufacturing sectors are expected to be the key contributors to overall growth, driven by the continued resilience of domestic demand and supported by higher international trade activity. Growth in the construction sector is projected to remain strong, supported by the implementation of major infrastructure projects. In the commodities sector, the growth of agriculture is expected to improve due to the higher output of crude palm oil and food commodities while the mining sector is expected to strengthen following the higher production of natural gas, crude oil and condensates.

Headline inflation is expected to average 2-3% in 2013. This inflation projection takes into account the expected higher global prices of selected food commodities and the adjustments to domestic administered prices. Demand-driven price pressures are expected to be moderate. The wider forecast range reflects the greater uncertainty in the external and domestic environment.

Overall, the growth prospects of the Malaysian economy will continue to be underpinned by the strength of its fundamentals. Of importance, labour market conditions will remain favourable, with the unemployment rate projected to remain low at 3.1% of the labour force in 2013. In addition, the financial system continues to demonstrate resilience against the challenging external environment, with financial intermediation expected to continue to provide strong support to domestic economic activity. The introduction of macroprudential and other policy measures have helped to manage the risks from the increase in household indebtedness. Malaysia's favourable external position is to remain intact, with international reserves at healthy levels and a low external debt that is within prudent limits.

Given the challenging external environment, there, however, remain risks to the economic outlook. The potential re-emergence of instability in the euro area and slower growth in Malaysia's major trading partners would affect the Malaysian economy. While pressures from global commodity prices have receded, upside risks from non-fundamental factors, such as adverse weather conditions and geopolitical developments, could push commodity prices higher and adversely affect the growth prospects of economies that are major trading partners of Malaysia. Potential upside to the domestic economy could emerge if the recovery in the advanced economies turns out to be better than expected.

(Source: Annual Report 2012, Bank Negara Malaysia)

The summary of the global oil and gas industry outlook and overview and prospects of Kazakhstan's oil and gas industry are set out below.

7.3 Overview of the global oil and gas industry

7.3.1 Crude Oil

Worldwide production of crude oil stood at 70.4 million barrels per day in 2011. While the US has the highest number of active rigs in the world, it only contributes 8.0% (5.7 million barrels per day) of total world crude oil production, it is Russia which is the largest producer of crude oil, with a production level of 9.9 million barrels per day in 2011.

As of 2011, the world had proven crude oil reserves of approximately 1.48 trillion barrels. The Middle East remains the region with the highest level of proven crude oil reserves, at 0.80 trillion barrels. At 0.34 trillion barrels, Latin America holds the next largest proven oil, followed by Eastern Europe and Central Asia with combined reserves exceeding 0.10 trillion barrels.

7.3.2 Natural Gas

Total world marketed production of natural gas rose to 3.34 trillion standard cubic metres as of 2011, up 3.4% over 2010. North America overtook Eastern Europe in terms of marketed natural gas production in 2009. However, Eastern Europe reclaimed its spot as top producer in 2010. Russia remained the top producer for marketable natural gas until 2008, and was overtaken by the United States of America in 2009. As of 2011, the world's total proven natural gas reserves stood at 196.2 trillion standard cubic meters. The Middle East remains at large the region with most abundant natural gas reserves at 79.6 trillion standard cubic meters, accounting for 40.6% of total world reserves. Middle East is followed by Eastern Europe at 62.9 trillion standard cubic meters.

(Source: IMR Report)

7.4 Oil and gas industry in Kazakhstan

7.4.1 Crude Oil

In 2011, the Kazakhstan Government generated KZT3.8 trillion in revenues from its oil and gas industry. Kazakhstan has an abundant supply of crude oil resources, with 30 billion barrels of crude oils reserve making it the 9th largest oil-rich country in the world in 2010.

As of 2011, there were 172 oil fields (including 80 those in the development phase) in Kazakhstan. A majority of the country's total crude oil reserves are concentrated in Tengiz, Kashagan, Karachaganak, Uzen, Zhetybai, Zhanazhol, Kalamkas, Kenkiyak, Karazhanbas, Kumkol, North Buzachi, Alibekmola, Central and Eastern Prorva and Kenbai.

Kazakhstan displays the potential to become one of the world's top oil producers, with sufficient crude oil reserves (approximately 3% of total world reserves) and a high level of oil production growth. However, due to its landlocked geographic location, it is highly dependent on the pipeline infrastructures which run through its neighbouring countries for export activities. The Caspian Pipeline Consortium pipeline which has been operational since 2001 is the nation's major export route, which extends from the Tengiz oil field to the Novorossiysk-2 Marine Terminal on Russia's Black Sea coast. It is also a major export route for oil from the Kashagan and Karachaganak oil fields. Other crude oil pipelines include the Uzen-Atyrau-Samara pipeline (transporting crude oil from oil fields in Atyrau and Manghystau to Russia), the Baku-Tbilisi-Ceyhan Pipeline (which transports crude oil from Azerbaijan, but can be used to transport Kazakhstan crude oil to Baku) and the Atasu-Alashankou Pipeline (transporting crude oil from Kazakhstan to Xinjiang in China).

Moving forward, crude oil production growth will be supported by expansions in the Tengiz and Kashagan fields. Crude oil production from Kashagan Phase 1 will start in 2012, which is expected to provide an additional capacity of 450,000 barrels per day over the medium-term. Meanwhile, crude oil production from the Tengiz expansion is proposed to start in 2013 and is projected to add another 370,000 barrels per day to the nation's total crude oil production levels.

7.4.2 Natural Gas

As of 2011, there were 42 gas fields located in Kazakhstan, including those at a development phase. In Kazakhstan, the production of natural gas is preceded in priority and importance by crude oil production. The majority of natural gas produced by Kazakhstan comprises associated natural gas – gas that is produced as a co-product or by product of crude oil production. Nevertheless, the majority (70%, as of 2009) of gross natural gas produced at Kazakhstan oil and gas fields is re-injected back into the fields in order to maintain the pressure at crude oil wellheads. This enhances the ease and productivity of liquid crude extraction.

The majority of natural gas-producing fields are located in Western Kazakhstan. Karachaganak and Tengiz oil fields, which constitute some of Kazakhstan's most productive oil fields, also represent two of Kazakhstan's most important natural gas fields. Between 2006 and 2008, annual dry production grew from 341.3 billion cubic feet to 398.11 billion cubic feet. However, in 2010, production fell by 20.8% from 388.5 billion cubic feet in 2009 to 306.8 billion cubic feet. The fluctuation in gas production is mainly due to the precedence of crude oil production in terms of economic importance. As such, reinjection of natural gas to boost crude oil production (as opposed to dry production of natural gas) takes greater importance.

In the global perspective, Kazakhstan is considered a minor natural gas producer. In 2011, Kazakhstan accounted for 1.1% of global dry natural gas production and was ranked 37th in the world in terms of annual production. It also currently holds approximately 1.3% of global proven natural gas reserves, making it the 85th largest natural gas reserve in the world.

Resource logistics for natural gas resources are still fairly undeveloped in Kazakhstan. It currently has two separate domestic natural gas distribution networks; one in the west servicing the country's major producing fields (export pipelines), and one in the south which delivers imported natural gas to consuming regions (import pipeline).

Natural gas production will continue to be supported by strong production in major oil and gas fields including the Karachaganak and Tengiz fields. Phases 1 and 2 of the Karachaganak oil field were focused on crude oil production; however phase 3 of the field will gear up natural gas production in order to better tap into the resource as a key export value generator. Natural gas production and exports (as well as the reduction of import necessity) will come with the development of better distribution systems and networks within the country, as well as the establishments of more export pipelines.

Crude oil production is expected to continue dominating Kazakhstan's oil and gas industry. Protégé Associates estimates that the total annual crude oil production level in Kazakhstan stood at 81.0 million tons in 2011. By 2016, the annual production level is expected to grow to 203.7 million tons, representing a compound annual growth rate of 20.2% over the five year period.

The oil and gas industry is expected to experience strong growth throughout 2012 to 2016. Kazakhstan has always been an oil-rich nation with one of the largest crude oil reserves in the world. Moving forward, sustained year-on-year double-digit growth is expected to be largely driven by the expansion of Kazakhstan's biggest oil fields (Kashagan and Tengiz) and the expansion of two of Kazakhstan's main transportation pipelines in 2013 and 2015.

(Source: IMR Report)

7.5 Future prospects of our Group

The principal activities of Sumatec going forward will focus on developing oil and gas fields that are currently under performing and our target assets will be mainly onshore, as this significantly reduces the capital cost of required infrastructure. We will target the hydrocarbon assets that provide maximum return for shareholder investment through short term production enhancement and long term sustainable production growth.

Our vision is to become the leading Malaysian-based independent oil and gas operator focused on developing proven assets in Central and South East Asia. Through our mission of being innovative, efficient and safety focused we will improve the performance of our oil and gas assets.

We plan to start operational work in the Rakushechnoye Oil Field upon completion of the Regularisation Plan, which is expected to be during the 4th quarter of 2013. Sumatec plans to start development focusing on workovers and sidetrack wells. Production is projected to increase to an average 2,000 barrels/day within the first 12 months followed by a ramp-up to 6,000 barrels/day by the end of 24 months.

The workovers and new infill wells will focus on the northern part of the Rakushechnoye Oil Field. The initial increase in production will come from working over existing wells, as this will result in a quick increase in production at lower cost compared to drilling new wells. Production is projected to make a significant increase when the new wells come on production.

- No of wells for first 12 months: 8 workovers and 6 new wells.
- No of wells for subsequent 12 months: 6 workovers and 8 new wells.
- Total Wells: 14 workovers and 14 new wells.

Based on historical production data, the workovers are predicted to produce on average 120 barrels/day in the first year, declining to 80 barrels/day in the second year, with a slow decline year on year. New vertical wells are predicted on average to produce 500 barrels/day in the first year and 350 barrels/day in the second year. Without intervention these wells will decline to 40 barrels/day by the 8th year of production. Sustained long term production increase will come from the drilling of new wells and subsequent workover of these wells later in the development schedule.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

For illustration purposes, the effects of the Rights Issue with Warrants and other components of the Regularisation Plan on the share capital, NA, NTA, gearing and adjustments to the Existing Warrants are set out below. The Amendment and Increase in Authorised Share Capital will not have any financial and shareholding effect to us.

8.1 Share capital

The proforma effects of the Rights Issue with Warrants and other components of the Regularisation Plan on the issued and paid-up share capital of Sumatec are shown below:

Minimum Scenario

	No. of Sumatec shares	Share Capital (RM)
Existing*	214,364,221	75,027,477
Par Value Reduction	-	(45,016,486)
After the Par Value Reduction	214,364,221	30,010,991
To be issued pursuant to the Issuance of Shares	335,000,000	46,900,000
After the Issuance of Shares	549,364,221	76,910,991
To be issued pursuant to the Rights Issue with Warrants	2,252,393,306	315,335,063
After the Rights Issue with Warrants	2,801,757,527	392,246,054
To be issued pursuant to the Scheme of Arrangement with Creditors	261,000,000	36,540,000
After the Scheme of Arrangement with Creditors	3,062,757,527	428,786,054
Assuming the full exercise of Existing Warrants	107,182,110	15,005,495
Assuming the full exercise of Warrants	563,098,327	78,833,766
Assuming the full exercise of ESOS Options	7,410,000	1,037,400
Total enlarged issued and paid-up share capital	**3,740,447,964**	**523,662,715**

Maximum Scenario

	No. of Sumatec shares	Share Capital (RM)
Existing*	328,956,331	115,134,716
Par Value Reduction	-	(69,080,830)
After the Par Value Reduction	328,956,331	46,053,886
To be issued pursuant to the Issuance of Shares	335,000,000	46,900,000
After the Issuance of Shares	663,956,331	92,953,886
To be issued pursuant to the Rights Issue with Warrants	2,722,220,957	381,110,934
After the Rights Issue with Warrants	3,386,177,288	474,064,820
To be issued pursuant to the Scheme of Arrangement with Creditors	261,000,000	36,540,000
After the Scheme of Arrangement with Creditors	3,647,177,288	510,604,820
Assuming the full exercise of Warrants	680,555,239	95,277,733
Total enlarged issued and paid-up share capital	**4,327,732,527**	**605,882,553**

Note:

* *For consistency in presentation, the share capital is based on the date of our Requisite Announcement of 27 April 2012 and for the Maximum Scenario only, assuming the full exercise of 107,182,110 Existing Warrants and 7,410,000 ESOS Options.*

The Disposal and Diversification will not have any effects to the share capital of our Company.

8.2 NA, NTA and gearing

The proforma effects of the Rights Issue with Warrants and other components of the Regularisation Plan on the NA, NTA and gearing of our Group are as follows:

Minimum Scenario

	Audited as at 31 December 2012 RM'000	After Par Value Reduction RM'000	After Issuance of Shares RM'000	After Rights Issue with Warrants RM'000	After Scheme of Arrangement with Creditors RM'000	After Disposal@ RM'000	Assuming full exercise of Existing Warrants, ESOS Options and Warrants RM'000
Share capital	75,027	30,011	76,911	392,246	428,786	428,786	523,663
Share premium	-	-	11,725	89,809	98,944	98,944	142,717
Non distributable reserves	33,479	33,479	33,479	86,669	86,669	86,669	18,473
Discount on shares	(15,005)	(15,005)	(15,005)	^(68,196)	(68,196)	(68,196)	-
Accumulated losses	(231,331)	(186,315)	(186,315)	#(190,565)	(112,403)	(99,170)	(99,170)
Shareholders' equity / NA	**(137,830)**	**(137,830)**	**(79,205)**	**309,963**	**433,800**	**447,033**	**585,683**
NTA (RM'000)	(137,830)	(137,830)	(79,205)	15,463	139,300	152,533	291,183
Par value per ordinary share (RM)	0.350	0.140	0.140	0.140	0.140	0.140	0.140
No. of Shares ('000)	214,364	214,364	549,364	2,801,758	3,062,758	3,062,758	3,740,448
NA/(NL) per share (RM)	(0.64)	(0.64)	(0.14)	0.11	0.14	0.15	0.16
NTA per share (RM)	(0.64)	(0.64)	(0.14)	0.01	0.05	0.05	0.08
Borrowings (exclude finance lease) (RM'000)	81,820	81,820	81,820	81,820	32,720	-	-
Borrowings (include finance lease) (RM'000)	82,238	82,238	82,238	82,238	33,138	418	418
Gearing (exclude finance lease) (times)	N/A	N/A	N/A	0.26	0.07	-	-
Gearing (include finance lease) (times)	N/A	N/A	N/A	0.27	0.08	**	**

Notes:-

^ *Based on the fair value of the Warrants of RM0.094 per warrant using the Black-Scholes model.*

After deducting expenses for the Regularisation Plan of RM5.00 million, of which RM0.75 million will be set-off against the share premium account and RM4.25 million will be charged to statement of comprehensive income.

@ *Including the settlement of secured debts via inter-alia, the disposal of encumbered assets and waiver of balance debt.*

** *Negligible.*

Maximum Scenario

	Audited as at 31 December 2012* RM'000	After Par Value Reduction RM'000	After Issuance of Shares RM'000	After Rights Issue with Warrants RM'000	After Scheme of Arrangement with Creditors RM'000	After Disposal@ RM'000	Assuming full exercise of Warrants RM'000
Share capital	115,135	46,054	92,954	474,065	510,605	510,605	605,883
Share premium	-	-	11,725	106,253	115,388	115,388	139,207
Non distributable reserves	18,473	18,473	18,473	82,759	82,759	82,759	18,473
Discount on shares	-	-	-	^(64,286)	^(64,286)	^(64,286)	-
Accumulated losses	(231,331)	(162,250)	(162,251)	#(166,501)	(88,339)	(75,106)	(75,106)
Shareholders' equity / NA	**(97,723)**	**(97,723)**	**(39,099)**	**432,290**	**556,127**	**569,360**	**688,457**
NTA (RM'000)	(97,723)	(97,723)	(39,099)	137,790	261,627	274,860	393,957
Par value per ordinary share (RM)	0.350	0.140	0.140	0.140	0.140	0.140	0.140
No. of Shares ('000)	328,956	328,956	663,956	3,386,177	3,647,177	3,647,177	4,327,733
NA/(NL) per share (RM)	(0.30)	(0.30)	(0.06)	0.13	0.15	0.16	0.16
NTA per share (RM)	(0.30)	(0.30)	(0.06)	0.04	0.07	0.08	0.09
Borrowings (exclude finance lease) (RM'000)	81,820	81,820	81,820	81,820	32,720	-	-
Borrowings (include finance lease) (RM'000)	82,238	82,238	82,238	82,238	33,138	418	418
Gearing (exclude finance lease) (times)	N/A	N/A	N/A	0.19	0.06	-	-
Gearing (include finance lease) (times)	N/A	N/A	N/A	0.19	0.06	**	**

Notes:-

* *Assuming full exercise of Existing Warrants at an exercise price of RM0.35 and 7,410,000 ESOS Options.*

^ *Based on the fair value of the Warrants of RM0.094 per warrant using the Black-Scholes model.*

After deducting expenses for the Regularisation Plan of RM5.00 million, of which RM0.75 million will be set-off against the share premium account and RM4.25 million will be charged to statement of comprehensive income.

@ *Including the settlement of secured debts via inter-alia, the disposal of encumbered assets and waiver of balance debt.*

** *Negligible.*

8.3 Earnings and EPS

The Rights Issue with Warrants is expected to contribute positively to earnings (and consequently the EPS) for the FYE 31 December 2013 and future financial years and put Sumatec back onto stronger financial footing via the contributions from the JIA. However, our EPS may be diluted as a result of the increase in the number of Shares in issue upon completion of the Rights Issue with Warrants and other components of the Regularisation Plan.

8.4 Adjustments to the Existing Warrants

Necessary adjustments to the Existing Warrants as a result of the Rights Issue with Warrants and Issuance of Shares have been made in accordance with the provisions of the deed poll dated 8 October 2010 in order to mitigate equity dilution such that the status of the Existing Warrantholders would not be prejudiced after the Rights Issue with Warrants and Issuance of Shares are implemented. Such adjustments (which include adjustments made to the number of Existing Warrants held as well as the exercise price of the Existing Warrants) are effective on the next Market Day following the Entitlement Date for the Rights Issue with Warrants. A notice to the Existing Warrantholders explaining the mechanism of the adjustment will be issued by our Company.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds of the Rights Issue with Warrants and Issuance of Shares, cash in hand, cashflow generated from our operations and available banking facilities, our Group will have adequate working capital to meet our business requirements due within a period of twelve (12) months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, our Group had total outstanding bank borrowings as follows:-

	Interest bearing borrowings (fixed rate) RM'000
Short-term borrowings	110,114
Long-term borrowings	-
Total	**110,114**

After having all reasonable enquires and to the best knowledge of our Board, there has not been any default on payments of either interest or principal sums by our Group, in respect of any borrowings during the FYE 31 December 2012 and for the subsequent financial period up to the LPD other than disclosed below.

Lender	**Facility**	**Outstanding amount as at the LPD RM'000**
Kerisma Bhd/ Capital One Bank/ Prima Uno Bhd	Collateralised Loan Obligation	108,158
Malayan Banking Berhad	Term Loan	1,956
Total		**110,114**

All the abovesaid defaulted facilities will be fully settled through the Scheme of Arrangement with Creditors.

9.3 Material Commitments and Contingent Liabilities

Save as disclosed below, as at the LPD, there is no material commitment or contingent liabilities, incurred or known to be incurred, which may have a material impact on the results or financial position of our Group as at the LPD:-

Contingent Liabilities	Sumatec Group (RM'000)	Company (RM'000)
Unsecured:		
Corporate guarantee granted to subsidiary companies	-	299,489
Corporate guarantee granted to a former subsidiary company	750	750
Being claims from third parties in dispute	-	-
Liquidated ascertained damages*	12,342	-
TOTAL	**13,092**	**300,239**

Note:

* *Our Board is of the opinion that the likelihood of the crystallisation of the above obligations probably will not require any outflow of resources and thus no provision is required.*

10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll, the NPA and RSF enclosed herewith.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
SUMATEC RESOURCES BERHAD

CHAN YOK PENG
MANAGING DIRECTOR

CERTIFIED EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT OUR EGM HELD ON 21 JUNE 2013

CERTIFIED TRUE COPY

Secretary
LIM SECK WAH
MAICSA NO: 0799845

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
(Incorporated in Malaysia)

Extract of the Minutes passed at the EXTRAORDINARY GENERAL MEETING of the Company held on 21 June 2013.

0 7 OCT 2013

4.6 **ORDINARY RESOLUTION 4**

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,722,220,957 NEW ORDINARY SHARES OF RM0.14 EACH IN THE COMPANY ("RIGHTS SHARES") TOGETHER WITH UP TO 680,555,239 DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE OF RM0.175 PER RIGHTS SHARE ON THE BASIS OF FORTY-ONE (41) RIGHTS SHARES FOR EVERY TEN (10) EXISTING ORDINARY SHARES OF RM0.14 EACH IN THE COMPANY HELD TOGETHER WITH ONE (1) WARRANT FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

The following motion was duly proposed by Mr Looi Yow Cheong (proxy holder) and seconded by Cik Siti Salwa Binti Abdul Hamid (proxy holder) :-

"THAT, subjeet to the passing of the Special Resolutions 1 and 2, Ordinary Resolutions 1, 2, 5, 6 and 7, and subject further to the approval of all relevant authorities, including but not limited to the approval-in-principle being obtained from Bursa Securities for the listing of and quotation for all the Rights Shares and Warrants to be issued hereunder and all the new ordinary shares of RM0.14 each to be issued arising from the exercise of the Warrants (whether in its original form or with or subject to any condition, modification, variation and/or amendment imposed by Bursa Securities), the approval be and is hereby given to the Directors to:

(i) allot and issue by way of a renounceable rights issue of up to 2,722,220,957 Rights Shares at an issue price of RM0.175 per Rights Share to the shareholders of the Company whose names appear on the Record of Depositors at the close of business on a date to be determined by the Directors and to be announced by the Company ("Entitled Shareholders") on the basis of forty-one (41) Rights Shares for every ten (10) existing ordinary shares of RM0.14 each in the Company held after the Proposed Par Value Reduction;

(ii) allot and issue up to 680,555,239 free Warrants to those Entitled Shareholders who have successfully applied for the Rights Shares on the basis of one (1) Warrant for every four (4) Rights Shares subscribed;

(iii) constitute the Warrants upon the terms and conditions of a deed poll to be executed by the Company ("Deed Poll"), the principal terms of which are set out in Section 3.3.6 of the Circular to Shareholders dated 30 May 2013;

(iv) allot and issue such other additional Warrants as may be required or permitted to be issued as a result of any adjustment under the provisions of the Deed Poll; and

(v) allot and issue such number of new ordinary shares of RM0.14 each in the Company credited as fully paid-up arising from the exercise of Warrants.

AND THAT the Directors be and are hereby authorised to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by the Directors in their absolute discretion.

AND THAT the Directors be and are hereby entitled to deal with all or any of the fractional entitlement of the Rights Shares and Warrants arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner as the Directors may in their absolute discretion deems fit and in the best interest of the Company.

AND THAT the approval hereby granted to the Company to allot and issue the new ordinary shares of RM0.14 each in the Company arising from the exercise of Warrants shall remain in full force and effect for the duration of the tenure of the Warrants.

AND THAT all the Rights Shares and new ordinary shares of RM0.14 each in the Company to be issued herein shall rank pari passu in all respects with the existing ordinary shares of RM0.14 each except that they will not be entitled to any rights, dividends, allotment and/or other distributions for which the relevant entitlement date precedes the relevant issue date of the said shares.

AND THAT the Directors be and are further authorised to do all acts, deeds and things and execute all necessary documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Rights Issue with Warrants with full powers to assent to or make any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Rights Issue with Warrants."

There was no question from the floor on the Proposed Rights Issue with Warrants. The Chairman put the motion to vote by show of hands.

The decision was unanimous. The Chairman declared the Ordinary Resolution 4 on the Proposed Rights Issue with Warrants carried.

We hereby certify the above to be the true extract of the Minutes of the EXTRAORDINARY GENERAL MEETING.

Chairman :

Director/Secretary :

Dated this 7 October 2013

SALIENT TERMS OF THE WARRANTS

Terms		Details
Number of Warrants	:	Up to 680,555,239 Warrants to subscribe for up to 680,555,239 new Sumatec Shares to be issued for free to the Entitled Shareholders pursuant to the Rights Issue with Warrants.
Detachability	:	The Warrants which are to be issued with the Rights Issue with Warrants are immediately detachable upon allotment and issue of the Rights Shares. The Warrants will be traded separately.
Exercise Price	:	The exercise price of each Warrant has been fixed at RM0.175. The exercise price and the number of outstanding Warrants shall however be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Period	:	The Warrants may be exercised any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants. Warrants not exercised during the Exercise Period will thereafter become lapse and void.
Exercise Rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new Sumatec Share at the Exercise Price during the Exercise Period and shall be subject to adjustments in accordance with the Deed Poll.
Deed Poll	:	The Warrants are constituted by the Deed Poll executed by Sumatec.
Board Lot	:	The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Sumatec Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Status of new Sumatec Shares to be issued pursuant to the exercise of the Warrants	:	All new Sumatec Shares to be issued arising from the exercise of the Warrants will upon allotment and issue rank *pari passu* in all respects with the existing Sumatec Shares except that such new Sumatec Shares shall not be entitled to any dividends, rights, allotments, and/or other distributions on or prior to the allotment of the new Sumatec Shares arising from the exercise of the Warrants.
Listing	:	Approval-in-principle from Bursa Securities has been obtained for the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for the Warrants and the new Sumatec Shares to be issued arising from the exercise of the Warrants.

Terms		Details
Adjustment in the Exercise Price and/or the number of Warrants held by warrant holders in the event of alteration to the share capital	:	Subject to the provisions in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant holder shall be adjusted by our Board in consultation with the adviser and certification of the external auditors, in the event of alteration to the share capital of Sumatec.
Rights in the Event of Winding Up, Liquidation, Compromise and/or Arrangement	:	Where a resolution has been passed for a members' voluntary winding-up of Sumatec, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of Sumatec or the amalgamation of Sumatec with one or more companies, then: (a) for the purpose of such a winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which Sumatec is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a special resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all the Warrant holders; and (b) in any other cases, every Warrant holder shall be entitled at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of Sumatec or within six (6) weeks after the granting of the court order approving the winding-up, compromise or arrangement, elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the Exercise Rights represented by his Warrants and be entitled to receive out of the assets of Sumatec which would be available in liquidation as if he had on such date been the holder of the new Sumatec Shares to which he would have become entitled pursuant to such exercise.
Further Issues	:	Subject to the provision in the Deed Poll, our Company is free to issue shares to shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as our Company sees fit but the Warrant holders will not have any participating rights in such issue unless otherwise resolved by the Company in general meeting.
Governing Law	:	Laws of Malaysia.

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INFORMATION ON OUR COMPANY

1. HISTORY AND PRINCIPAL ACTIVITIES

Sumatec was incorporated as a public company on 22 April 1997 in Malaysia. It was listed on the Main Market of Bursa Securities on 8 September 2003.

The principal activity of our Company is that of investment holding. The principal activities of the subsidiary and associated companies are set out under section 5 below.

2. SHARE CAPITAL

2.1 Authorised and issued and fully paid-up share capital

The authorised and issued and paid-up share capital of Sumatec as at the LPD is as follows:-

	No. of Sumatec shares	Par value RM	Total RM
Authorised share capital			
Ordinary shares	7,142,857,143	0.14	1,000,000,000
Issued and fully paid-up share capital			
Ordinary shares	218,389,221	0.14	30,574,490.94

2.2 Changes in the issued and paid-up share capital

Details of the changes in the issued and fully paid-up share capital of Sumatec since its incorporation until the LPD are as follows:-

Date of allotment	No. of Sumatec Shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
22 April 1997	2	1.00	Cash, subscribers' shares	2
26 August 2003	132,870,422	1.00	Otherwise than cash	132,870,424
21 February 2005	13,287,000	1.00	Cash, private placement	146,157,424
13 February 2007	14,615,742	1.00	Cash, private placement	160,773,166
20 August 2010	-	0.35	Capital reduction via the cancellation of RM0.65 of the par value of every existing ordinary share of RM1.00 each	56,270,608

Date of allotment	No. of Sumatec Shares allotted	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
4 March 2011	53,591,055	0.35	Rights issue	75,027,477
16 August 2013	200,000	0.35	Exercise of ESOS Options	75,097,477
21 August 2013	1,957,000	0.35	Exercise of ESOS Options	75,782,427
27 August 2013	-	0.14	Par Value Reduction	30,312,971
30 August 2013	1,495,000	0.14	Exercise of ESOS Options	30,522,271
20 September 2013	373,000	0.14	Exercise of ESOS Options	30,574,491

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3. SUBSTANTIAL SHAREHOLDERS

Based on our Register of Substantial Shareholders as at the LPD, the proforma effects of the Rights Issue with Warrants and other components of the Regularisation Plan on the shareholdings of our substantial shareholders are as follows:-

Minimum Scenario

	Existing as at LPD*				After the Issuance of Shares				After Rights Issue with Warrants			
	<------Direct----->		<-----Indirect---->		<------Direct---->		<----Indirect--->		<------Direct---->		<----Indirect--->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
TSHS (Malaysian)	-	-	-	-	150,400	27.38	-	-	767,040	27.38	-	-
CMY (Malaysian)	-	-	-	-	30,000	5.46	-	-	153,000	5.46	-	-
Corston-Smith Asset Management (incorporated in Malaysia)	-	-	-	-	46,850	8.53	-	-	238,935	8.53	-	-
TMSB (incorporated in Malaysia)	57,811	26.97	-	-	152,811	27.82	-	-	779,336	27.82	-	-
Chan Yok Peng (Malaysian)	-	-	[(a)]57,811	26.97	-	-	[(a)]152,811	27.82	-	-	[(a)]779,337	27.82
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah (Malaysian)	400	0.19	[(a)]57,811	26.97	400	0.07	[(a)]152,811	27.82	400	0.01	[(a)]779,337	27.82

Notes:-

* *For consistency of presentation, the total number of shares in issue is based on the date of our requisite announcement of 27 April 2012.*

(a) Deemed interested by virtue of his substantial shareholdings in TMSB.

	After the Scheme of Arrangement with Creditors				After the full exercise of ESOS Options, Existing Warrants and Warrants[b]			
	<------Direct----->		<----Indirect--->		<------Direct---->		<----Indirect--->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
TSHS (Malaysian)	767,040	25.04	-	-	921,200	24.63	-	-
CMY (Malaysian)	153,000	5.00	-	-	183,750	4.91	-	-
Corston-Smith Asset Management (incorporated in Malaysia)	238,935	7.80	-	-	286,956	7.67	-	-
TMSB (incorporated in Malaysia)	789,527	25.78	-	-	963,012	25.75	-	-
Chan Yok Peng (Malaysian)	-	-	[a]789,527	25.78	-	-	[a]963,012	25.75
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah (Malaysian)	400	0.01	[a]789,527	25.78	800	0.02	[a]963,012	25.75

Notes:-

(a) Deemed interested by virtue of his substantial shareholdings in TMSB.

(b) TMSB holds 16,854,054 Existing Warrants whilst Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah holds 400,000 ESOS Options. On 3 October 2013, TMSB has disposed its 16,854,000 Existing Warrants and Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah has exercised his 400,000 ESOS Options.

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Maximum Scenario

	Existing as at LPD*				[b]Assuming full exercise of the Existing Warrants and ESOS Options				After the Issuance of Shares			
	<------Direct----->		<-----Indirect---->		<------Direct----->		<----Indirect--->		<------Direct---->		<----Indirect--->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
TSHS (Malaysian)	-	-	-	-	-	-	-	-	150,400	22.65	-	-
CMY (Malaysian)	-	-	-	-	-	-	-	-	30,000	4.52	-	-
Corston-Smith Asset Management (incorporated in Malaysia)	-	-	-	-	-	-	-	-	46,850	7.06	-	-
TMSB (incorporated in Malaysia)	57,811	26.97	-	-	74,665	22.70	-	-	169,665	25.55	-	-
Chan Yok Peng (Malaysian)	-	-	[a]57,811	26.97	-	-	[a]74,665	22.70	-	-	[a]169,665	25.55
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah (Malaysian)	400	0.19	[a]57,811	26.97	800	0.24	[a]74,665	22.70	800	0.12	[a]169,665	25.55

Notes:-

* *For consistency of presentation, the total number of shares in issue is based on the date of our requisite announcement of 27 April 2012*

(a) Deemed interested by virtue of his substantial shareholdings in TMSB.

(b) Assuming full exercise of Existing Warrants and ESOS Options. TMSB holds 16,854,054 Existing Warrants whilst Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah holds 400,000 ESOS Options. On 3 October 2013, TMSB has disposed its 16,854,000 Existing Warrants and Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah has exercised his 400,000 ESOS Options.

	After Rights Issue with Warrants				After the Scheme of Arrangement with Creditors				After the full exercise of Warrants			
	<------Direct----->		<-----Indirect---->		<------Direct----->		<----Indirect--->		<------Direct---->		<----Indirect--->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
TSHS (Malaysian)	767,040	22.65	-	-	767,040	21.03	-	-	921,200	21.29	-	-
CMY (Malaysian)	153,000	4.52	-	-	153,000	4.20	-	-	183,750	4.25	-	-
Corston-Smith Asset Management (incorporated in Malaysia)	238,935	7.06	-	-	238,935	6.55	-	-	286,956	6.63	-	-
TMSB (incorporated in Malaysia)	865,292	25.55	-	-	875,483	24.00	-	-	1,049,389	24.25	-	-
Chan Yok Peng (Malaysian)	-	-	[(a)]865,292	25.55	-	-	[(a)]875,483	24.00	-	-	[(a)] 1,049,389	24.25
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah (Malaysian)	4,080	0.12	[(a)]865,292	25.55	4,080	0.12	[(a)]875,483	24.00	4,900	0.11	[(a)] 1,049,389	24.25

Note:

(a) Deemed interested by virtue of his substantial shareholdings in TMSB.

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4. BOARD OF DIRECTORS

The age, profession, designation, nationalities and addresses of our Board are set out under the Corporate Information on Board of Directors on page (vii) of this Abridged Prospectus. The proforma effects of the Rights Issue with Warrants and other components of the Regularisation Plan on the shareholdings of our Directors are as follows:-

Minimum Scenario

	Existing as at LPD*				After the Issuance of Shares				After Rights Issue with Warrants			
	<------Direct----->		<----Indirect--->		<----Direct--->		<------Indirect----->		<----Direct--->		<------Indirect----->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
Chan Yok Peng	-	-	[a]57,811	26.97	-	-	[a]152,811	27.82	-	-	[a] 779,336	27.82
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah	400	0.19	[a]57,811	26.97	400	0.07	[a]152,811	27.82	400	0.01	[a] 779,336	27.82
Ismail Bin Ibrahim	700	0.33	-	-	700	0.13	-	-	700	0.02	-	-
Dato' Mazlan Bin Nasiron	-	-	-	-	-	-	-	-	-	-	-	-
Wan Mohamad Shukri Bin Wan Ab. Kadir	-	-	-	-	-	-	-	-	-	-	-	-
Mohamad bin Ismail	-	-	-	-	-	-	-	-	-	-	-	-

Note:

* *For consistency of presentation, the total number of shares in issue is based on the date of our requisite announcement of 27 April 2012.*

(a) Deemed interested by virtue of his substantial shareholdings in TMSB.

	After the Scheme of Arrangement with Creditors				After the full exercise of ESOS Options, Existing Warrants and Warrants[b]			
	<------Direct----->		<----Indirect--->		<------Direct---->		<----Indirect--->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
Chan Yok Peng	-	-	[a]789,527	25.78	-	-	[a] 963,012	25.75
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah	400	0.01	[a]789,527	25.78	800	0.01	[a] 963,012	25.75
Ismail Bin Ibrahim	700	0.02	-	-	700	0.02	-	-
Dato' Mazlan Bin Nasiron	-	-	-	-	-	-	-	-
Wan Mohamad Shukri Bin Wan Ab. Kadir	-	-	-	-	-	-	-	-
Mohamad bin Ismail	-	-	-	-	-	-	-	-

Notes:-

(a) Deemed interested by virtue of his substantial shareholdings in TMSB.
(b) TMSB holds 16,854,054 Existing Warrants whilst Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah holds 700,000 ESOS Options.

Maximum Scenario

	[b]Existing as at LPD*				[b]Assuming full exercise of the Existing Warrants and ESOS Options				After the Issuance of Shares			
	<------Direct----->		<-----Indirect---->		<------Direct----->		<----Indirect--->		<------Direct---->		<----Indirect--->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
Chan Yok Peng	-	-	[a]57,811	26.97	-	-	[a] 74,665	22.70	-	-	[a] 169,665	25.55
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah	400	0.19	[a]57,811	26.97	800	0.24	[a] 74,665	22.70	800	0.12	[a] 169,665	25.55
Ismail Bin Ibrahim	700	0.33	-	-	700	0.21	-	-	700	0.11	-	-
Dato' Mazlan Bin Nasiron	-	-	-	-	-	-	-	-	-	-	-	-
Wan Mohamad Shukri Bin Wan Ab. Kadir	-	-	-	-	-	-	-	-	-	-	-	-
Mohamad bin Ismail	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

* *For consistency of presentation, the total number of shares in issue is based on the date of our requisite announcement of 27 April 2012.*

(a) Deemed interested by virtue of his substantial shareholdings in TMSB.

(b) Assuming full exercise of Existing Warrants and ESOS Options. TMSB holds 16,854,054 Existing Warrants whilst Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah holds 700,000 ESOS Options each.

	After Rights Issue with Warrants				After the Scheme of Arrangement with Creditors				After the full exercise of Warrants			
	<------Direct----->		<-----Indirect---->		<------Direct----->		<----Indirect--->		<------Direct---->		<----Indirect--->	
	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%	No. of Sumatec shares of RM0.14 ('000)	%
Chan Yok Peng	-	-	[a] 865,292	25.55	-	-	[a] 875,483	24.00	-	-	[a] 1,049,389	24.25
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah	4,80	0.12	[a] 865,292	25.55	4,080	0.11	[a] 875,483	24.00	4,900	0.11	[a] 1,049,389	24.25
Ismail Bin Ibrahim	3.570	0.11	-	-	3,570	0.10	-	-	4,288	0.10	-	-
Dato' Mazlan Bin Nasiron	-	-	-	-	-	-	-	-	-	-	-	-
Wan Mohamad Shukri Bin Wan Ab. Kadir	-	-	-	-	-	-	-	-	-	-	-	-
Mohamad bin Ismail	-	-	-	-	-	-	-	-	-	-	-	-

Note:-

(a) *Deemed interested by virtue of his substantial shareholdings in TMSB.*

(b) *Assuming full exercise of Existing Warrants and ESOS Options. TMSB holds 16,854,054 Existing Warrants whilst Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah holds 700,000 ESOS Options each.*

(c) *Deemed interested by virtue of his substantial shareholdings in TMSB.*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

Our subsidiaries as at LPD are as follows:-

Name of company	Date / Place of incorporation	Issued and paid-up share capital (RM)	Effective interest as at LPD (%)	Principal activities
Sumatec Corporation Sdn Bhd	4 September 1985/ Malaysia	10,000,000	100	Engineering and contracting
Sumatec Oil and Gas LLP	9 July 2013/ Kazakhstan	3,577	100	Exploration, production, operations, processing of oil and gas
IR Oil Rigs Malaysia Sdn Bhd	19 October 2000/ Malaysia	300,000	51	Dormant
Tenaga Biomass Sdn Bhd	27 October 2004/ Malaysia	2	100	Dormant
North Malaysia Terminal Sdn Bhd	1 September 2004/ Malaysia	100,000	100	Terminaling and distribution facilities and investment holding
Perlis Bio-Power Sdn Bhd	11 May 2002/ Malaysia	100,000	80	Dormant
Destaman Sdn Bhd	14 July 2008/ Malaysia	2	100	Investment holding
Landfill Rehab Sdn Bhd	16 July 2010/ Malaysia	100	100	Dormant

The subsidiaries and associated companies of Sumatec Corporation Sdn Bhd as at LPD are as follows:-

Name of company	Date / Place of incorporation	Issued and paid-up share capital (RM)	Effective interest as at LPD (%)	Principal activities
Calinex Sdn Bhd	7 May 1994/ Malaysia	216,000	100	Dormant
Petroreka Sdn Bhd	7 August 1997/ Malaysia	50,000	100	Dormant

Name of company	Date / Place of incorporation	Issued and paid-up share capital (RM)	Effective interest as at LPD (%)	Principal activities
Sumatec Fabricators Sdn Bhd	13 July 1994/ Malaysia	2	100	Dormant
Sumatec Trackworks Sdn Bhd	25 April 2003/ Malaysia	2	100	Dormant
Sumatec Petroleum Development Sdn Bhd	24 December 2003/ Malaysia	10	100	Dormant
Sumatec Engineering & Construction Sdn Bhd	2 July 2004/ Malaysia	1,000,000	51	Engineering and contracting
Sumatec Development Sdn Bhd	6 February 2001/ Malaysia	1,000,000	100	Dormant
Vertirex Development Sdn Bhd	12 October 2000/ Malaysia	2	100	Dormant
Sumatec Pte. Ltd.	12 January 2007/ Singapore	2	100	Dormant
Sumatec Thai Co. Ltd.	3 July 2006/ Thailand	1,068	74	Engineering and construction
Wailik Enterprise Sdn Bhd	9 June 2008/ Malaysia	1,000	70	Dormant
UHP Engineering Sdn Bhd	10 October 1997/ Malaysia	100,000	49	Dormant

The subsidiary of Destaman Sdn Bhd as at the LPD is as follows:

Name of company	Date / Place of incorporation	Issued and paid-up share capital (RM)	Effective interest as at LPD (%)	Principal activities
Jabat Yakin Aluminium Sdn Bhd	5 September 2005 / Malaysia	100	60	Dormant

6. FINANCIAL DATA

Our Group's audited financial statements for the three (3) FYEs 31 December 2010, 2011 and 2012 and the unaudited results of our Group for the six (6)-month FPE 30 June 2013:-

	←------ Audited FYE 31 December ----→			Unaudited
	2010	**2011**	**2012***	**Six (6)-month FPE 30 June 2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	214,725	175,017	1,543	-
Gross profit	51,229	60,440	(7,954)	-
Other income	29,871	11,224	298	1
LBT	(37,926)	(53,933)	(25,561)	(10,687)
Add:				
Finance cost	33,653	38,853	10,168	4,943
Depreciation and amortisation	730	552	215	74
Less:				
Interest income	(163)	(2)	(115)	-
EBITDA	(3,706)	(14,530)	(15,293)	5,670
Share of net loss from discontinued operations	-	-	(78,739)	-
Tax expense	22	(12,749)	(1,148)	(37)
LAT	**(37,904)**	**(66,682)**	**(105,448)**	**(10,724)**
Loss for the year/period attributable to:				
Owners of the parent	(35,491)	(73,632)	(99,735)	(9,161)
Non-controlling interests	(2,413)	6,950	(5,713)	(1,563)
Total comprehensive loss for the year/period	(37,880)	(63,393)	(105,391)	(10,724)
LBT margin (%)	(17.66)	(30.81)	(1,656.58)	N/A
Number of ordinary shares in issue net of treasury shares ('000)	160,773	214,364	214,364	214,364
LPS (sen)	(22.08)	(35.90)	(46.53)	(5.00)

Note:-

* *For FYE 31 December 2012, the financial results of Semua International Sdn Bhd group ("SISB Group") have been classified as discontinued operations following the Disposal.*

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The analysis of our Group's results by business segments are as follows:-

Engineering, Procurement, Construction and Commissioning ("EPCC") Division

	←------ Audited FYE 31 December ----→ 2010	2011	2012	Unaudited six (6)-month FPE 30 June 2013
External Revenue (RM'000)	64,477	10,771	1,543	-
% increase/ (decrease)	7%	(83%)	(86%)	(100%)
Segment profits/(loss) (RM'000)	(15,960)	(16,283)	(11,194)	(943)
Less: Finance cost	(544)	(2,336)	(1,058)	(105)
Operating profits/(loss) (RM'000)	(16,504)	(18,619)	(12,252)	(1,048)
Increase/ (decrease) (RM'000)	35,484	(2,115)	6,367	11,204

Commentaries

FYE 31 December 2010 – Revenue increased by 7% due to additional contracts secured locally as our Group's major customer, Petronas invested more in the local oil and gas sector to boost the economy and generate more revenue for the nation. During the current year, our Group secured new contracts valued at RM73.7 million as compared to RM61.8 million during the previous year. The decrease in the operating loss by RM35.4 million in 2010 was mainly due to the allowance for impairment loss on receivable of RM35.7 million made in the previous year.

FYE 31 December 2011 – Revenue decreased by 83% due to the classification of our Company as an affected listed issuer under the PN17 which has affected its competitivenes. The increase in the operating loss of RM2.1 million in 2011 was mainly due to the lower revenue by RM53.8 million from the completion of existing contracts and the increase of RM1.8 million in interest cost.

FYE 31 December 2012 – Revenue decreased by 86% due to the temporary halt in the operation as our Group was unable to secure new contracts. The decrease in the operating loss of RM6.4 million in 2012 was mainly due to the lower expenses incurred in line with lower activities.

FPE 30 June 2013 – No revenue was recorded due to the complete halt in our operations. The lower operating loss of RM1.0 million for FPE 30 June 2013 was due to the cessation in operations.

Shipping Division

	←------ Audited FYE 31 December		----→	Unaudited
	2010	**2011**	***2012**	**six (6)-month FPE 30 June 2013**
External Revenue (RM'000)	150,247	164,246	156,694	80,536
% increase/ (decrease)	41%	9%	(5%)	N/A
Segment profits/(loss) (RM'000)	51,994	40,945	18,402	6,931
Less: Finance cost	(25,603)	(26,792)	(29,272)	(10,103)
Less: Impairment loss recognised on remeasurement to fair value less costs to sell	-	-	(67,862)	-
Operating profits/(loss) (RM'000)	26,391	14,153	(78,732)	(3,172)
Increase/ (decrease) (RM'000)	14,340	(12,238)	(92,885)	(75,560)

Note:-

* *For FYEs 31 December 2012 and FPE 30 June 2013, the results of the SISB Group have been classified as discontinued operations following the Disposal and presented for illustrative purposes only.*

Commentaries

FYE 31 December 2010 – Revenue increased by 41% as the SISB Group expanded its fleet with the addition of 2 vessels. The increase in operating profit in 2010 of RM14.3 million was in line with the higher revenue.

FYE 31 December 2011- Revenue increased by 9% due to the better utilisation of the vessels on spot charter, due to higher rental demand for these vessels. The decrease in operating profit in 2011 of RM12.2 million was mainly due to a decrease in gross profit margin of 3.8% from the higher bunker fuel prices and the increase in administrative and interest cost and exchange loss.

FYE 31 December 2012 and FPE 30 June 2013 – Results of the shipping division (i.e. the SISB Group) has been de-consolidated from the audited consolidated financial statements of our Company following the Disposal.

7. HISTORICAL SHARE PRICES

The following table sets out the monthly highest and lowest market prices of Sumatec shares for the past 12 months as transacted on the Bursa Securities; -

	High (RM)	Low (RM)
2012		
October	0.240	0.200
November	0.230	0.190
December	0.215	0.185
2013		
January	0.205	0.175
February	0.210	0.185
March	0.200	0.185
April	0.200	0.165
May	0.215	0.150
June	0.300	0.190
July	0.395	0.210
August	0.820	0.370
September	0.695	0.460

The last transacted price of Sumatec shares on 26 April 2012, being the market day immediately preceding the day of our Company's requisite announcement for the Regularisation Plan was RM0.23 per share.

The last transacted price of Sumatec Shares on the LPD was RM0.615 per Share.

The last transacted price of Sumatec Shares on 16 October 2013, being the day prior to the ex-date of the Rights Issue with Warrants was RM0.51 per Share.

(Source: Bursa Securities)

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INFORMATION ON THE JIA

1. Background

On 29 November 2011, our Company announced that it has entered into the Framework Agreement with MELL for the proposed award of the PSC by COG, an effective wholly-owned subsidiary of MELL, to Sumatec for the development and extraction of hydrocarbon in the Rakushechnoye Oil Field. Under the Framework Agreement, our Company is required to implement a regularisation exercise. The salient terms of the Framework Agreement include the following:-

(a) The PSC

The PSC which essentially is a 50:50 profit sharing venture after cost recovery shall be entered into between Sumatec and COG wherein COG shall appoint Sumatec as the production contractor to undertake the commercial scale development of Rakushechnoye Oil Field for the production of oil and gas under the following salient terms:-

1.	**Parties to the PSC**			
	(a)	Concession Owner ("Owner")	:	COG
	(b)	Contractor	:	Sumatec
2.	**Terms of Contract**		:	Until 25 August 2025 (subject to extension) ("PSC Term")
3.	**Sumatec's share of Profit Oil^**			
	(a)	Year 1 and Year 2 of the PSC Term	:	100%
	(b)	Year 3 onwards of the PSC Term	:	50%
	^	*Profit Oil is defined as the sales proceeds of the crude oil, condensate and/or natural gas minus subsurface taxes to the Kazakhstan Government, royalties to COG and cost recovery of the Contractor*		
4.	**Payments to Owner**		:	The Contractor is required to pay the Owner signature bonus, performance deposit and reimbursement of COG and MELL's cost of exploration and development of the Rakushechnoye Oil Field, the final quantum of which are subject to negotiation and due diligence.

(b) Conditions Precedent

The Framework Agreement is conditional upon the following being fulfilled within 6 months from the date of the Framework Agreement ("Conditions Cut Off Date") save for sub-clauses (ii) and (iv) of below:

(i) the approval of Bursa Securities for the our regularisation plan;

(ii) the award of the PSC to Sumatec by COG within 30 days from the date of the Framework Agreement (subsequently extended to 2 April 2012);

(iii) the approval of the creditors for Sumatec's debt restructuring;

(iv) MELL and Sumatec being satisfied with the outcome of the Due Diligence Review (as set out under the below paragraph) to be carried by their respective consultants and advisers on Sumatec and COG (as the case may be);

(v) the approval of our shareholders for our regularisation plan;

(vi) the approval of the Board of MELL for our regularisation plan;

(vii) the sanction of the Court for the capital reduction exercise pursuant to Section 64 of the Act;

(viii) the execution of agreements, arrangements and other documents between Sumatec and MELL, and Sumatec and the creditors, upon the terms and conditions acceptable to the respective parties, which are necessary for the implementation of our regularisation plan in accordance with the terms and conditions of the Framework Agreement (if required); and

(ix) the approval of any other relevant authorities to be agreed between the parties to the Framework Agreement (if required).

(c) Due Diligence Review

Both Sumatec and MELL agree that they shall undertake the following due diligence exercise in respect of the following matters within 30 days from the date of Framework Agreement:

(i) due diligence on COG and MELL concerning legal, technical and financial by Sumatec; and

(ii) due diligence on Sumatec concerning legal, technical and financial by MELL;

which due diligence shall be to the satisfaction to both Sumatec and MELL upon which they shall embark on our regularisation plan.

On 16 February 2012, we announced that the parties to the PSC have mutually agreed to the following:

(a) rename the PSC referred to in the Framework Agreement to the JIA to comply with the regulatory requirements in Kazakhstan; and

(b) extend the deadline to enter into the JIA to 2 April 2012.

On 8 March 2012, our Company had entered into the JIA with MELL and COG in accordance with the terms of the Framework Agreement.

Subsequently, it was announced that Sumatec, MELL and COG had entered into several addendums to the JIA as follows:-

Addendum	**Date**	**Purpose**
Addendum I	23 November 2012	Provide clarity to the rights of Sumatec in relation to the termination provisions of the JIA
Addendum II	6 December 2012	Modification of certain provisions of the JIA as follows:-

Addendum	Date	Purpose
		(a) Extension of the Payment Date (as defined in Section 2.1.2(iii)(a) below) to 31 May 2013; (b) To incorporate COG's rights to nominate other parties (including MELL) for the receipt of the Performance Deposit (as defined herein) to be paid by Sumatec and other consequential amendments arising there from *(Note: Our Board had on 26 June 2012 announced that COG (a wholly-owned subsidiary of MELL) has authorised our Company to remit the Performance Deposit to MELL);* (c) To clarify COG's rights to terminate the JIA in the event of gross negligence or willful misconduct by our Company; (d) To provide flexibility to our Company to perform its scope of work under the JIA through either a branch, limited liability partnership or other legal entity in Kazakhstan; and (e) To provide clarity for COG's obligations to pay Kazakhstan taxes relating to the production from the Petroleum Operations (as defined herein).
Addendum III	20 December 2012	Clarify the rights of Sumatec in the event of the discontinuation of the Petroleum Operations due to an order or decree by the Kazakhstan Government (which is deemed a force majeure event).
Addendum IV	17 January 2013	Provide clarity to certain provisions of the JIA relating to the areas:- (a) Usage of fixtures, equipment, materials and installations for the Petroleum Operations; (b) Procurement procedures; (c) Procedures relating to development plans, work programs and budgets; and (d) Accounting and reporting requirements.
Addendum V	23 January 2013	Provide clarity to certain provisions of the JIA relating to the areas:- (a) the classification of the share of profits from the Petroleum Operations as a fee payable to Sumatec;

Addendum	Date	Purpose
		(b) the requirement for the subsequent execution of an operating agreement to govern the daily operational matters for the Production Operations; and
		(c) to provide clarity that the royalties payable by Sumatec to COG shall be in the form of a fee.

2. Salient terms of the JIA

The salient terms of the JIA (as amended by the Addendums) are as follows:-

(i) The scope of work for Sumatec under the JIA shall include:-

(a) carry out all operations relating to the production of hydrocarbon (including liquid and gaseous hydrocarbons) ("Petroleum") from the Rakushechnoye Oil Field ("Petroleum Operations"), for and on behalf of COG, to study, appraise, develop, and produce the relevant Petroleum reservoirs of the Rakushechnoye Oil Field;

(b) complete all operations to develop the Rakushechnoye Oil Field within the period from the date of the JIA up to 25 August 2025 ("Development Phase"); and

(c) provide all capital, machinery, equipment, technology, personnel and services necessary for carrying out Petroleum Operations.

(ii) The JIA shall come into force on the date of the JIA and shall expire on 25 August 2025 (subject to extension).

(iii) The reimbursement of development cost payable by Sumatec under the JIA are as follows:-

(a) Signature Bonus

Sumatec shall pay to MELL a signature bonus of USD10,000,000 (equivalent to RM31,000,000 based on the exchange rate of USD1.00:RM3.10) by 29 November 2013 or any such time as may be mutually agreed by the parties ("Payment Date").

(b) Costs Reimbursement

Sumatec shall pay to MELL reimbursement for the sum of USD85,000,000 (equivalent to RM263,500,000 based on the exchange rate of USD1.00:RM3.10) (being part of the cost incurred including without limitation the subsurface and surface facilities and capital cost which have been incurred by MELL and its affiliates) on or before the Payment Date.

The cost reimbursement sum of USD85,000,000 was arrived at after taking into consideration the investments made by MELL and COG in relation to the development of the Rakushechnoye Oil Field based on their respective audited financial statements for the FYE 31 December 2010# as follows:

(In USD million)	MELL	^COG	Total
Exploration and evaluation assets	-	62	**62**
Investment in COG	15**	-	**15**
Operating expenditure	*7	14	**21**
Total	**22**	**76**	**98**

Notes:

\# *The financial statements of COG and MELL for the FYE 31 December 2010 were audited by international accounting firms.*

^ *Translated based on the exchange rate of 150 Tenge : USD1.00.*

* *Operating expenses for the 2 FYEs 31 December 2009 and 2010.*

** *Excluding acquisition cost.*

(c) Refundable Performance Deposit

Sumatec shall place with COG or MELL or any parties nominated by COG a performance deposit of USD40,000,000 (equivalent to RM124,000,000 based on the exchange rate of USD1.00:RM3.10) ("Performance Deposit") for the due and satisfactory performance of the Petroleum Operations under the JIA by way of cash deposit by the Payment Date and such Performance Deposit shall be set off against oil and gas royalties payable to COG under subsection (d) below until the amount is fully refunded.

(d) Royalties payable to COG

Sumatec shall pay oil royalty to COG at the rate of USD5.00 per barrel of the crude oil production and to also pay the royalty for gas/natural gas produced at a rate to be mutually determined by the parties as soon as it becomes practicable throughout the entire duration of the JIA.

(iv) MELL shall directly or through COG, provide Sumatec an advance for capital cost up to the sum of USD60,000,000 as and when requested by Sumatec subject to the approved development plan for the Rakushechnoye Oil Field ("Advances"). Sumatec shall repay the amount upon demand by MELL.

Note: The cost of borrowings for the Advances is 8% per annum.

(v) Sumatec will be paid a service fee on a monthly basis in the form of an allocation from the Profit. The Profit is defined as the net profit from the sale of the net volume of oil/gas produced ("Net Production") less cost incurred by Sumatec in relation to the Petroleum Operations ("Petroleum Costs") and all the relevant charges and expenses including but not limited to Kazakhstan taxes, all the operational expenditures and cost as well as all the capital expenditures to be incurred by Sumatec in producing the Net Production but shall exclude personal and corporate income taxes to the government.

The distribution of Profit between COG and Sumatec shall be in the following manner upon the net production reaching a threshold of 2,000,000 barrels expected to be achieved within two (2) years from the Payment Date on which the reimbursement stated in sub-section (iii) above have been fulfilled or complied:-

Year	Distribution of Profit	
	Sumatec	COG
1st Year	100%	Nil
2nd Year	100%	Nil
3rd Year onwards	50%	50%

Notwithstanding the above, in the event the threshold is reached during the first two (2) years, the distribution of Profit between COG and Sumatec shall commence immediately on attainment of the threshold and similarly, if the threshold is not reached within first two (2) years, the period shall be extended until such time the threshold is reached before the Profit is distributed equally between COG and Sumatec.

(vi) COG may terminate the JIA by giving Sumatec three (3) months reasoned written notice if Sumatec becomes bankrupt, or is declared insolvent or if Sumatec commits a breach of material obligations of the JIA. In such an event, Sumatec shall:-

(a) forfeit all its rights and interests under the JIA;

(b) indemnify and save COG harmless against any and all actions, claims, demands and proceedings by third parties that may arise out of such termination, to the extent of Sumatec's liability;

(c) suffer the forfeiture of the Performance Deposit remaining; and

(d) repay the Advances to MELL less the amount already settled and any permanent works/expenses or any capital expenditure carried out for the operation of the Rakushechnoye Oil Field

(vii) If the Petroleum Operations are suspended or seriously jeopardised for a period exceeding 18 consecutive months due to force majeure or by reasons where COG fails to obtain any licenses or renewals thereof of the relevant licenses and/or necessary approvals for the Petroleum Operations, save and except where such failure is the result of gross negligence or wilful misconduct by Sumatec, Sumatec may terminate the JIA by giving COG and/or MELL a three (3) months written notice. Upon such termination:-

(a) COG and/or MELL shall:-

- refund to Sumatec the Performance Deposit less the amount set-off by Sumatec in respect of the oil and gas royalties;
- compensate Sumatec for unrecovered cost relating to the Petroleum Operations all up to the termination notice (if any); and
- refund all the reimbursed sum paid by Sumatec to COG and/or MELL under the JIA less any profits recouped from the operation of the Rakushechnoye Oil Field.

(b) Sumatec shall repay the Advances to MELL less the amount already settled.

(viii) In the event Sumatec is unable to continue with the Petroleum Operations due to gross negligence or wilful misconduct by Sumatec, COG shall have the right to take over the conduct of Petroleum Operations after giving Sumatec three (3) months written notice. If such takeover continues for a period exceeding one (1) year, COG shall have the right to terminate the JIA by giving Sumatec a three (3) months written notice upon which the provisions of (vi)(a) to (d) shall apply. In the event at any time during the take-over by COG and prior to the end of the termination notice, Sumatec receives approval from the government to resume Petroleum Operations, COG and Sumatec shall agree on the best course of action to resume Petroleum Operations and on the settlement of financial matters relating to the period of take-over.

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CERTIFIED TRUE COPY

HOOI KOK MUN
PARTNER

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

SJ GRANT THORNTON

CHARTERED ACCOUNTANTS

Member firm of Grant Thornton International Ltd

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REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SJ Grant Thornton (AF:0737)
Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

T +603 2692 4022
F +603 2691 5229
www.gt.com.my

Date: 1 October 2013

The Board of Directors
Sumatec Resources Berhad
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs,

SUMATEC RESOURCES BERHAD AND ITS SUBSIDIARY COMPANIES
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

We have reviewed the Proforma Consolidated Statements of Financial Position of Sumatec Resources Berhad ("Sumatec" or "the Company") and its subsidiary companies ("Sumatec Group") as at 31 December 2012 together with the notes and assumptions thereto, which we have stamped for the purpose of identification. The Proforma Consolidated Statements of Financial Position have been prepared for illustrative purposes solely for the purpose of inclusion in the Company's Abridged Prospectus.

It is the sole responsibility of the Directors of Sumatec to prepare the Proforma Consolidated Statements of Financial Position. Our responsibility is to form an opinion on the Proforma Consolidated Statements of Financial Position and our letter is given to you solely for this, and for no other purposes.

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In our opinion, the Proforma Consolidated Statements of Financial Position together with the accompanying notes which are provided solely for illustrative purposes only,

(a) have been properly compiled on a basis of preparation as stated in the notes thereto; such basis is consistent with the accounting policies adopted by Sumatec and its subsidiary companies;

(b) the adjustments are appropriate for the purposes of the Proforma Consolidated Statements of Financial Position; and

(c) the audited financial statements used in the preparation of the Proforma Consolidated Statements of Financial Position were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") in Malaysia and in manner consistent with the format of the financial statements of Sumatec.

This letter is not to be reproduced, referred to in any other document, or used or relied for any other purpose without our prior written consent.

Yours faithfully,

SJ GRANT THORNTON
NO. AF: 0737
CHARTERED ACCOUNTANTS

DATO' N.K. JASANI
(NO: 708/03/14(J/PH))
CHARTERED ACCOUNTANT
PARTNER

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. BASIS OF PREPARATION

The Proforma Consolidated Statements of Financial Position have been prepared based on accounting policies and bases which are consistent with those disclosed in the audited financial statements of Sumatec for the financial year ended 31 December 2012.

The Proforma Consolidated Statements of Financial Position of Sumatec are presented in two (2) scenarios and have been prepared for illustrative purposes and on the assumptions that the Proposed Regularisation Plans were affected on that date, as follows:

Minimum scenario: Assumes full exercise of the Employee Share Options Scheme ("ESOS") and Existing Warrants ("Warrant A") of 7,410,000 and 107,182,110 * respectively at RM0.35 at the end of the Proposed Regularisation Plans; and

Maximum scenario: Assumes full exercise of the ESOS and Warrant A of 7,410,000 and 107,182,110 * respectively at RM0.35 prior to the Proposed Regularisation Plans.

* The ESOS and Warrant A of 7,410,000 and 107,182,110 respectively were based on the date of the requisite announcement for the proposed regularisation plan dated 27 April 2012. As at 1 October 2013, there are ESOS and Warrant A of 505,000 and 107,182,110 respectively.

2. PROFORMA GROUP

The Proforma Consolidated Statements of Financial Position together with the accompanying notes thereon, have been prepared based on accounting principles and bases consistent with those adopted in the preparation of audited financial statements of the Sumatec Group as at 31 December 2012 and the audited Statements of Financial Position of Sumatec assuming that all the transactions mentioned below had taken place on 31 December 2012:

(i) **Proforma I: Proposed Par Value Reduction**

Proposed restructuring of the issued and paid-up share capital of Sumatec under Section 64 of the Companies Act, 1965 involving the cancellation of RM0.21 from the par value of each existing ordinary share of RM0.35 each in Sumatec ("Proposed Par Value Reduction") and utilisation of the credit from the par value reduction to reduce the accumulated losses of Sumatec.

(ii) **Proforma II: After Proforma I and Proposed Issuance of Shares**

Upon completion of the Proposed Par Value Reduction, Sumatec proposes to undertake an issuance of up to 335,000,000 new Sumatec Shares to identified new investors at an issue price of RM0.175 per Sumatec Share ("Proposed Issuance of Shares"). The proceeds in excess of the nominal value of shares issued are accounted for as share premium.

The new Sumatec Shares shall, upon allotment and issue, rank pari passu in all respects with the existing Sumatec Shares, except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the Sumatec Shares.

Stamped for the purpose of identification on:
01 OCT 2013
SJ Grant Thornton

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

2. **PROFORMA GROUP (CONT'D)**

(iii) **Proforma III: After Proforma II and Proposed Rights Issue with Warrants**

Minimum scenario

Proposed renounceable rights issue of up to 2,252,393,306 new Sumatec shares ("Right Share") together with up to 563,098,327 detachable free warrants ("Warrant B") at an issue price of RM0.175 per Right Share on the basis of forty-one Right Shares for every ten existing Sumatec Shares held after the Proposed Issuance of Shares together with one Warrant B for every four Rights Share subscribed ("Proposed Rights Issue with Warrants").

Maximum scenario

Proposed renounceable rights issue of up to 2,722,220,957 Right Shares together with up to 680,555,239 Warrant B at an issue price of RM0.175 per Right Share on the basis of forty-one Right Shares for every ten existing Sumatec Shares held after the Proposed Issuance of Shares together with one Warrant B for every four Rights Share subscribed.

The Rights Shares shall, upon allotment and issuance, rank pari passu in all respects with the existing Sumatec Shares, except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the Sumatec Shares.

The new Sumatec Shares to be issued arising from the exercise of the Warrant B will rank pari passu in all respects with the existing Sumatec Shares, except that such new Sumatec Shares shall not be entitled to any dividends, rights, allotments, and/or other distributions on or prior to the allotment of the new Sumatec Shares arising from the exercise of the Warrant B.

The Proposed Issuance of Shares and Proposed Rights Issue with Warrants will raise total proceeds up to RM535,013,667 which will be utilised in the following manner:-

	Maximum scenario RM'000	Minimum scenario RM'000
Payments under the Joint Investment Agreement		
(i) Signature bonus	31,000	31,000
(ii) Costs reimbursement	263,500	263,500
(iii) Performance deposit	124,000	124,000
	418,500	418,500
Working capital	41,514	29,294
Capital expenditure in relation to the opening of new wells	70,000	-
Defrayment of estimated expenses of the Proposed Regularisation Plans	5,000	5,000
Total	535,014	452,794

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SUMATEC RESOURCES BERHAD
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

2. **PROFORMA GROUP (CONT'D)**

(iii) **Proforma III: After Proforma II and Proposed Rights Issue with Warrants (cont'd)**

The defrayment of estimated expenses in relation to the Proposed Regularisation Plans of RM5,000,000; of which RM750,000 will be set-off against the share premium account and RM4,250,000 will be charged to Statement of Comprehensive Income.

(iv) **Proforma IV: After Proforma III and Proposed Scheme of Arrangement with Creditors**

Proposed implementation of a scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 in respect of the amount owing to creditors of Sumatec and its subsidiary company, Sumatec Corporation Sdn Bhd ("SCSB") ("Scheme Creditors").

It is proposed that the Scheme Creditors which are owed in aggregate of approximately RM113.99 million as at 31 December 2011 ("Cut-off Date") be settled in the following manner:

(a) Accrued interest, if any, up to 31 December 2011 shall be capitalised together with the principal outstanding amount as total debts to be settled.
(b) All interest, if any, (regular or otherwise), penalties, costs, fees and other charges accruing or incurred after 31 December 2011 shall be waived.
(c) The outstanding amount due to the Scheme Creditors (after taking into consideration (a) and (b) above), shall be settled by issuance of 261,000,000 new Sumatec Shares at an issue price of RM0.175 per Sumatec Share.

A summary of the Proposed Scheme of Arrangement with Creditors is set out below:

Scheme Creditors	Outstanding debts as at 31 December 2012	Outstanding debts as at Cut-off Date	Proposed issuance of settlement shares	
	RM'000	RM'000	'000 (unit)	RM'000
Trade payables	28,741	27,998	64,107	11,219
Other payables and accruals				
- Others	14,362	14,362	32,885	5,755
- Amount owing to shareholders	4,451	4,451	10,191	1,783
- Financial institution (performance bond claimed)	4,435	4,435	10,155	1,777
- Accrued interest of collateralised loan obligations ("CLO")	22,746	13,643	31,238	5,467
Unsecured portion of the CLO	24,000	24,000	54,953	9,617
Secured portion of the CLO	25,100	25,100	57,471	10,057
Total	123,835	113,989	261,000	45,675

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2. **PROFORMA GROUP (CONT'D)**

(v) **Proforma V: After Proforma IV and Proposed Settlement with Secured Creditors**

The secured creditors are as follows:

	Outstanding debts as at 31 December 2012 RM'000
Malayan Banking Berhad – Revolving credits (i)	1,820
Secured portion of the CLO (ii)	56,000
	57,820

The proposed settlement with secured creditors are as follows:

(i) Malayan Banking Berhad – revolving credits

Proposed disposal of a pledged building with net carrying amount amounted to RM686,638 for proceeds of RM1.82 million.

(ii) Secured portion of the CLO

Proposed disposal of 51% equity interest in Semua International Sdn Bhd ("SISB") group to Hoe Leong Corporation Ltd ("Hoe Leong") or its nominees for a total consideration of RM18.8 million ("Proposed Disposal").

Proposed settlement of secured portion of the CLO by the following ways:

(a) RM18.8 million by way of cash from Hoe Leong or its nominee;
(b) RM12.1 million by way of cash from SISB through the novation of dividend from Sumatec to the bondholder; and
(c) RM25.1 million under the Proposed Scheme of Arrangement with Creditors.

The SISB group includes:

(a) Semua International Sdn Bhd;
(b) Semua Shipping Sdn Bhd;
(c) Semado Maritime Sdn Bhd;
(d) Semua Chemical Shipping Sdn Bhd; and
(e) Mini Tanker Chartering Sdn Bhd.

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2. **PROFORMA GROUP (CONT'D)**

(v) **Proforma V: After Proforma IV and Proposed Settlement with Secured Creditors (cont'd)**

(ii) Secured portion of the CLO (cont'd)

	RM
Assets included in disposal group classified as held for sale	549,118,557
Liabilities included in disposal group classified as held for sale	(459,798,904)
Amount due to Sumatec	(13,041,712)
Net assets on disposal	76,277,941
Non-controlling interests	(70,519,653)
	5,758,288
Less: proceeds from disposal of SISB group	(18,800,000)
Gain on disposal of SISB group	(13,041,712)

After the Proposed Disposal, the amount due from SISB Group to Sumatec Group of RM941,712 (excluding the Sumatec Dividends of RM12.1 million) shall be waived.

(vi) **Proforma VI: After Proforma V and Proposed Exercise of ESOS and Warrants**

Minimum Scenario

All the ESOS and Warrant A are exercised at an exercise price of RM0.35. All the Warrant B issued pursuant to the Proposed Rights Issue are exercised at an exercise price of RM0.175.

Maximum Scenario

All the Warrant B issued pursuant to the Proposed Rights Issue are exercised at an exercise price of RM0.175.

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

The Proforma Consolidated Statements of Financial Position of the Sumatec Group as at 31 December 2012 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Proforma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 December 2012:

(Minimum Scenario)

		As at 31 December 2012	Adjustments	Proforma I	Adjustments	Proforma II	Adjustments	Proforma III
		RM	RM	RM	RM	RM	RM	RM
ASSETS								
Non-current assets								
Other investments		33		33		33		33
Property, plant and equipment	3.1	1,214,001		1,214,001		1,214,001		1,214,001
Intangible asset	3.2	-		-		-	294,500,000	294,500,000
Total non-current assets		1,214,034		1,214,034		1,214,034		295,714,034
Current assets								
Other receivables	3.3	239,089		239,089		239,089	124,000,000	124,239,089
Amount due from associate companies		1,618		1,618		1,618		1,618
Tax recoverable		830,532		830,532		830,532		830,532
Cash and bank balances	3.4	70,866		70,866	58,625,000	58,695,866	(29,331,171)	29,364,695
		1,142,105		1,142,105		59,767,105		154,435,934
Assets included in disposal group classified as held for sale	3.5	549,118,557		549,118,557		549,118,557		549,118,557
Total current assets		550,260,662		550,260,662		608,885,662		703,554,491
Total assets		551,474,696		551,474,696		610,099,696		999,268,525
EQUITY AND LIABILITIES								
EQUITY								
Share capital	3.6	75,027,477	(45,016,486)	30,010,991	46,900,000	76,910,991	315,335,063	392,246,054
Share premium	3.7	-		-	11,725,000	11,725,000	78,083,766	89,808,766
Other reserves	3.8	33,478,714		33,478,714		33,478,714	53,190,531	86,669,245
Discount on shares	3.9	(15,005,495)		(15,005,495)		(15,005,495)	(53,190,531)	(68,196,026)
Accumulated losses	3.10	(231,331,445)	45,016,486	(186,314,959)		(186,314,959)	(4,250,000)	(190,564,959)
		(137,830,749)		(137,830,749)		(79,205,749)		309,963,080
Non-controlling interests	3.11	70,519,653		70,519,653		70,519,653		70,519,653
Total equity		(67,311,096)		(67,311,096)		(8,686,096)		380,482,733
LIABILITIES								
Non-current liability								
Finance lease payables		306,527		306,527		306,527		306,527
Total non-current liability		306,527		306,527		306,527		306,527
Current liabilities								
Trade payables	3.12	28,741,099		28,741,099		28,741,099		28,741,099
Other payables and accruals	3.12	48,006,968		48,006,968		48,006,968		48,006,968
Amount due to associate companies		523		523		523		523
Short-term borrowings	3.13	81,819,976		81,819,976		81,819,976		81,819,976
Finance lease payables		111,795		111,795		111,795		111,795
		158,680,361		158,680,361		158,680,361		158,680,361
Liabilities included in disposal group classified as held for sale	3.14	459,798,904		459,798,904		459,798,904		459,798,904
Total current liabilities		618,479,265		618,479,265		618,479,265		618,479,265
Total liabilties		618,785,792		618,785,792		618,785,792		618,785,792
Total equity and liabilties		551,474,696		551,474,696		610,099,696		999,268,525
Issued & paid up share capital (Unit)		214,364,221		214,364,221	335,000,000	549,364,221	2,252,393,306	2,801,757,527
Net assets/(liabilities) per share (RM)		(0.64)		(0.64)		(0.14)		0.11

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SUMATEC RESOURCES BERHAD
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AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

The Proforma Consolidated Statements of Financial Position of the Sumatec Group as at 31 December 2012 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Proforma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 December 2012 (cont'd):

(Minimum Scenario)

		Proforma III	Adjustments	Proforma IV	Adjustments	Proforma V	Adjustments	Proforma VI
		RM	RM	RM	RM	RM	RM	RM
ASSETS								
Non-current assets								
Other investments		33		33		33		33
Property, plant and equipment	3.1	1,214,001		1,214,001	(686,638)	527,363		527,363
Intangible asset	3.2	294,500,000		294,500,000		294,500,000		294,500,000
Total non-current assets		295,714,034		295,714,034		295,027,396		295,027,396
Current assets								
Other receivables	3.3	124,239,089		124,239,089		124,239,089		124,239,089
Amount due from associate companies		1,618		1,618		1,618		1,618
Tax recoverable		830,532		830,532		830,532		830,532
Cash and bank balances	3.4	29,364,695		29,364,695		29,364,695	138,649,446	168,014,141
		154,435,934		154,435,934		154,435,934		293,085,380
Assets included in disposal group classified as held for sale	3.5	549,118,557		549,118,557	(549,118,557)	-		-
Total current assets		703,554,491		703,554,491		154,435,934		293,085,380
Total assets		999,268,525		999,268,525		449,463,330		588,112,776
EQUITY AND LIABILITIES								
EQUITY								
Share capital	3.6	392,246,054	36,540,000	428,786,054		428,786,054	94,876,661	523,662,715
Share premium	3.7	89,808,766	9,135,000	98,943,766		98,943,766	43,772,785	142,716,551
Other reserves	3.8	86,669,245		86,669,245		86,669,245	(68,196,026)	18,473,219
Discount on shares	3.9	(68,196,026)		(68,196,026)		(68,196,026)	68,196,026	-
Accumulated losses	3.10	(190,564,959)	78,161,501	(112,403,458)	13,233,338	(99,170,120)		(99,170,120)
		309,963,080		433,799,581		447,032,919		585,682,365
Non-controlling interests	3.11	70,519,653		70,519,653	(70,519,653)	-		-
Total equity		380,482,733		504,319,234		447,032,919		585,682,365
LIABILITIES								
Non-current liability								
Finance lease payables		306,527		306,527		306,527		306,527
Total non-current liability		306,527		306,527		306,527		306,527
Current liabilities								
Trade payables	3.12	28,741,099	(28,741,099)	-		-		-
Other payables and accruals	3.12	48,006,968	(45,995,402)	2,011,566		2,011,566		2,011,566
Amount due to associate companies		523		523		523		523
Short-term borrowings	3.13	81,819,976	(49,100,000)	32,719,976	(32,719,976)	-		-
Finance lease payables		111,795		111,795		111,795		111,795
		158,680,361		34,843,860		2,123,884		2,123,884
Liabilities included in disposal group classified as held for sale	3.14	459,798,904		459,798,904	(459,798,904)	-		-
Total current liabilities		618,479,265		494,642,764		2,123,884		2,123,884
Total liabilties		618,785,792		494,949,291		2,430,411		2,430,411
Total equity and liabilties		999,268,525		999,268,525		449,463,330		588,112,776
Issued & paid up share capital (Unit)		2,801,757,527	261,000,000	3,062,757,527		3,062,757,527	677,690,437	3,740,447,964
Net assets per share (RM)		0.11		0.14		0.15		0.16

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3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

The Proforma Consolidated Statements of Financial Position of the Sumatec Group as at 31 December 2012 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Proforma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 December 2012 (cont'd):

(Maximum Scenario)

		As at 31 December 2012	Adjustments	Exercise of ESOS and Warrant A	Adjustments	Proforma I	Adjustments	Proforma II	Adjustments	Proforma III
		RM	RM	RM	RM	RM	RM	RM	RM	RM
ASSETS										
Non-current assets										
Other investments		33		33		33		33		33
Property, plant and equipment	3.1	1,214,001		1,214,001		1,214,001		1,214,001	70,000,000	71,214,001
Intangible asset	3.2	-		-		-		-	294,500,000	294,500,000
Total non-current assets		1,214,034		1,214,034		1,214,034		1,214,034		365,714,034
Current assets										
Other receivables	3.3	239,089		239,089		239,089		239,089	124,000,000	124,239,089
Amount due from associate companies		1,618		1,618		1,618		1,618		1,618
Tax recoverable		830,532		830,532		830,532		830,532		830,532
Cash and bank balances	3.4	70,866	40,107,239	40,178,105		40,178,105	58,625,000	98,803,105	(17,111,333)	81,691,772
		1,142,105		41,249,344		41,249,344		99,874,344		206,763,011
Assets included in disposal group classified as held for sale	3.5	549,118,557		549,118,557		549,118,557		549,118,557		549,118,557
Total current assets		550,260,662		590,367,901		590,367,901		648,992,901		755,881,568
Total assets		551,474,696		591,581,935		591,581,935		650,206,935		1,121,595,602
EQUITY AND LIABILITIES										
EQUITY										
Share capital	3.6	75,027,477	40,107,239	115,134,716	(69,080,830)	46,053,886	46,900,000	92,953,886	381,110,934	474,064,820
Share premium	3.7	-		-		-	11,725,000	11,725,000	94,527,733	106,252,733
Other reserves	3.8	33,478,714	(15,005,495)	18,473,219		18,473,219		18,473,219	64,285,566	82,758,785
Discount on shares	3.9	(15,005,495)	15,005,495	-		-		-	(64,285,566)	(64,285,566)
Accumulated losses	3.10	(231,331,445)		(231,331,445)	69,080,830	(162,250,615)		(162,250,615)	(4,250,000)	(166,500,615)
		(137,830,749)		(97,723,510)		(97,723,510)		(39,098,510)		432,290,157
Non-controlling interests	3.11	70,519,653		70,519,653		70,519,653		70,519,653		70,519,653
Total equity		(67,311,096)		(27,203,857)		(27,203,857)		31,421,143		502,809,810
LIABILITIES										
Non-current liability										
Finance lease payables		306,527		306,527		306,527		306,527		306,527
Total non-current liability		306,527		306,527		306,527		306,527		306,527
Current liabilities										
Trade payables	3.12	28,741,099		28,741,099		28,741,099		28,741,099		28,741,099
Other payables and accruals	3.12	48,006,968		48,006,968		48,006,968		48,006,968		48,006,968
Amount due to associate companies		523		523		523		523		523
Short-term borrowings	3.13	81,819,976		81,819,976		81,819,976		81,819,976		81,819,976
Finance lease payables		111,795		111,795		111,795		111,795		111,795
		158,680,361		158,680,361		158,680,361		158,680,361		158,680,361
Liabilities included in disposal group classified as held for sale	3.14	459,798,904		459,798,904		459,798,904		459,798,904		459,798,904
Total current liabilities		618,479,265		618,479,265		618,479,265		618,479,265		618,479,265
Total liabilties		618,785,792		618,785,792		618,785,792		618,785,792		618,785,792
Total equity and liabilties		551,474,696		591,581,935		591,581,935		650,206,935		1,121,595,602
Issued & paid up share capital (Unit)		214,364,221	114,592,110	328,956,331		328,956,331	335,000,000	663,956,331	2,722,220,957	3,386,177,288
Net assets/(liabilities) per share (RM)		(0.64)		(0.30)		(0.30)		(0.06)		0.13

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)**

The Proforma Consolidated Statements of Financial Position of the Sumatec Group as at 31 December 2012 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Proforma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 31 December 2012 (cont'd):-

(Maximum Scenario)

		Proforma III	Adjustments	Proforma IV	Adjustments	Proforma V	Adjustments	Proforma VI
		RM	RM	RM	RM	RM	RM	RM
ASSETS								
Non-current assets								
Other investments		33		33		33		33
Property, plant and equipment	3.1	71,214,001		71,214,001	(686,638)	70,527,363		70,527,363
Intangible asset	3.2	294,500,000		294,500,000		294,500,000		294,500,000
Total non-current assets		365,714,034		365,714,034		365,027,396		365,027,396
Current assets								
Other receivables	3.3	124,239,089		124,239,089		124,239,089		124,239,089
Amount due from associate companies		1,618		1,618		1,618		1,618
Tax recoverable		830,532		830,532		830,532		830,532
Cash and bank balances	3.4	81,691,772		81,691,772		81,691,772	119,097,166	200,788,938
		206,763,011		206,763,011		206,763,011		325,860,177
Assets included in disposal group classified as held for sale	3.5	549,118,557		549,118,557	(549,118,557)	-		-
Total current assets		755,881,568		755,881,568		206,763,011		325,860,177
Total assets		1,121,595,602		1,121,595,602		571,790,407		690,887,573
EQUITY AND LIABILITIES								
EQUITY								
Share capital	3.6	474,064,820	36,540,000	510,604,820		510,604,820	95,277,733	605,882,553
Share premium	3.7	106,252,733	9,135,000	115,387,733		115,387,733	23,819,433	139,207,166
Other reserves	3.8	82,758,785		82,758,785		82,758,785	(64,285,566)	18,473,219
Discount on shares	3.9	(64,285,566)		(64,285,566)		(64,285,566)	64,285,566	-
Accumulated losses	3.10	(166,500,615)	78,161,501	(88,339,114)	13,233,338	(75,105,776)		(75,105,776)
		432,290,157		556,126,658		569,359,996		688,457,162
Non-controlling interests	3.11	70,519,653		70,519,653	(70,519,653)	-		-
Total equity		502,809,810		626,646,311		569,359,996		688,457,162
LIABILITIES								
Non-current liability								
Finance lease payables		306,527		306,527		306,527		306,527
Total non-current liability		306,527		306,527		306,527		306,527
Current liabilities								
Trade payables	3.12	28,741,099	(28,741,099)	-		-		-
Other payables and accruals	3.12	48,006,968	(45,995,402)	2,011,566		2,011,566		2,011,566
Amount due to associate companies		523		523		523		523
Short-term borrowings	3.13	81,819,976	(49,100,000)	32,719,976	(32,719,976)	-		-
Finance lease payables		111,795		111,795		111,795		111,795
		158,680,361		34,843,860		2,123,884		2,123,884
Liabilities included in disposal group classified as held for sale	3.14	459,798,904		459,798,904	(459,798,904)	-		-
Total current liabilities		618,479,265		494,642,764		2,123,884		2,123,884
Total liabilties		618,785,792		494,949,291		2,430,411		2,430,411
Total equity and liabilties		1,121,595,602		1,121,595,602		571,790,407		690,887,573
Issued & paid up share capital (Unit)		3,386,177,288	261,000,000	3,647,177,288		3,647,177,288	680,555,239	4,327,732,527
Net assets per share (RM)		0.13		0.15		0.16		0.16

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SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.1. PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment are as follows:-

	Minimum RM	Maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A/ As per Proforma I and II	1,214,001	1,214,001
Capital expenditure in relation to the opening of new wells	-	70,000,000
As per proforma III and IV	1,214,001	71,214,001
Arising from Proposed Settlement with Secured Creditors	(686,638)	(686,638)
As per proforma V and VI	527,363	70,527,363

3.2. INTANGIBLE ASSET

The movement of the intangible asset is as follows:-

	Minimum and maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A/ As per Proforma I and II	-
Payments under the Joint Investment Agreement	294,500,000
As per proforma III, IV, V and VI	294,500,000

3.3. OTHER RECEIVABLES

The movement of the other receivables is as follows:-

	Minimum and maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A/ As per Proforma I and II	239,089
Payments under the Joint Investment Agreement	124,000,000
As per proforma III, IV, V and VI	124,239,089

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.4. CASH AND BANK BALANCES

The movements of the cash and bank balances are as follows:-

	Minimum RM	Maximum RM
As at 31 December 2012	70,866	70,866
Arising from exercise of ESOS and Warrant A	-	40,107,239
After exercise of ESOS and Warrant A/ As per Proforma I	70,866	40,178,105
Arising from Proposed Issuance of Shares	58,625,000	58,625,000
As per proforma II	58,695,866	98,803,105
Arising from Proposed Rights Issue with Warrants	394,168,829	476,388,667
Payments under the Joint Investment Agreement	(418,500,000)	(418,500,000)
Capital expenditure in relation to the opening of new wells	-	(70,000,000)
Expenses incidental to the Proposed Regularisation Plans	(5,000,000)	(5,000,000)
As per proforma III, IV and V	29,364,695	81,691,772
Arising from exercise of ESOS, Warrant A/B	138,649,446	119,097,166
As per proforma VI	168,014,141	200,788,938

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3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.5. ASSETS INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The movement of the assets included in disposal group classified as held for sale is as follows:-

	Minimum and maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A/ As per Proforma I, II, III and IV	549,118,557
Arising from Proposed Settlement with Secured Creditors	(549,118,557)
As per proforma V and VI	-

3.6. SHARE CAPITAL

The movements of the issued and paid-up share capital are as follows:-

Minimum scenario	No. of Shares	Amount RM
As at 31 December 2012	214,364,221	75,027,477
Arising from Proposed Par Value Reduction	-	(45,016,486)
As per proforma I	214,364,221	30,010,991
Arising from Proposed Issuance of Shares	335,000,000	46,900,000
As per proforma II	549,364,221	76,910,991
Arising from Proposed Rights Issue with Warrants	2,252,393,306	315,335,063
As per proforma III	2,801,757,527	392,246,054
Arising from Proposed Scheme of Arrangement with Creditors	261,000,000	36,540,000
As per proforma IV and V	3,062,757,527	428,786,054
Arising from exercise of ESOS, Warrant A/B	677,690,437	94,876,661
As per proforma VI	3,740,447,964	523,662,715

SUMATEC RESOURCES BERHAD
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.6 SHARE CAPITAL (CONT'D)

The movements of the issued and paid-up share capital are as follows (cont'd):-

Maximum scenario	No. of Shares	Amount RM
As at 31 December 2012	214,364,221	75,027,477
Arising from exercise of ESOS and Warrant A	114,592,110	40,107,239
After exercise of ESOS and Warrant A	328,956,331	115,134,716
Arising from Proposed Par Value Reduction	-	(69,080,830)
As per proforma I	328,956,331	46,053,886
Arising from Proposed Issuance of Shares	335,000,000	46,900,000
As per proforma II	663,956,331	92,953,886
Arising from Proposed Rights Issue with Warrants	2,722,220,957	381,110,934
As per proforma III	3,386,177,288	474,064,820
Arising from Proposed Scheme of Arrangement with Creditors	261,000,000	36,540,000
As per proforma IV and V	3,647,177,288	510,604,820
Arising from exercise of Warrant B	680,555,239	95,277,733
As per proforma VI	4,327,732,527	605,882,553

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.7. SHARE PREMIUM

The movements of the share premium are as follows:-

	Minimum RM	Maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A/ As per Proforma I	-	-
Arising from Proposed Issuance of Shares	11,725,000	11,725,000
As per proforma II	11,725,000	11,725,000
Arising from Proposed Rights Issue with Warrants	78,833,766	95,277,733
Expenses incidental to the Proposed Regularisation Plans	(750,000)	(750,000)
As per proforma III	89,808,766	106,252,733
Arising from Proposed Scheme of Arrangement with Creditors	9,135,000	9,135,000
As per proforma IVand V	98,943,766	115,387,733
Arising from exercise of ESOS, Warrant A/B	43,772,785	23,819,433
As per proforma VI	142,716,551	139,207,166

3.8. OTHER RESERVES

The movements of the other reserves are as follows:-

	Minimum RM	Maximum RM
As at 31 December 2012	33,478,714	33,478,714
Arising from exercise of ESOS and Warrant A	-	(15,005,495)
After exercise of ESOS and Warrant A/ As per proforma I and II	33,478,714	18,473,219
Arising from Proposed Rights Issue with Warrants	53,190,531	64,285,566
As per proforma III, IV and V	86,669,245	82,758,785
Arising from exercise of ESOS, Warrant A/B	(68,196,026)	(64,285,566)
As per proforma VI	18,473,219	18,473,219

The indicative fair value of Warrant B arising from the Proposed Rights Issue is RM0.094.

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. **PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)**

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.9. DISCOUNT ON SHARES

The movements of the discount on shares are as follows:-

	Minimum RM	Maximum RM
As at 31 December 2012	15,005,495	15,005,495
Arising from exercise of ESOS and Warrant A	-	(15,005,495)
After exercise of ESOS and Warrant A/ As per proforma I and II	15,005,495	-
Arising from Proposed Rights Issue with Warrants	53,190,531	64,285,566
As per proforma III, IV and V	68,196,026	64,285,566
Arising from exercise of ESOS, Warrant A/B	(68,196,026)	(64,285,566)
As per proforma VI	-	-

3.10. ACCUMULATED LOSSES

The movements of the accumulated losses are as follows:-

	Minimum RM	Maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A	231,331,445	231,331,445
Arising from Proposed Par Value Reduction	(45,016,486)	(69,080,830)
As per proforma I and II	186,314,959	162,250,615
Arising from Proposed Rights Issue with Warrants	4,250,000	4,250,000
As per proforma III	190,564,959	166,500,615
Arising from Proposed Scheme of Arrangement with Creditors	(78,161,501)	(78,161,501)
As per proforma IV	112,403,458	88,339,114
Arising from Proposed Settlement with Secured Creditors	(13,233,338)	(13,233,338)
As per proforma V and VI	99,170,120	75,105,776

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.11. NON-CONTROLLING INTERESTS

The movement of the non-controlling interests is as follows:-

	Minimum and maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A/ As per Proforma I, II, III and IV	70,519,653
Arising from Proposed Settlement with Secured Creditors	(70,519,653)
As per proforma V and VI	-

3.12. TRADE AND OTHER PAYABLES

The movements of the trade and other payables are as follows:-

	Minimum and maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A / As per proforma I, II and III	76,748,067
Arising from Proposed Scheme of Arrangement with Creditors	(74,736,501)
As per proforma IV, V and VI	2,011,566

3.13. SHORT-TERM BORROWINGS

The movements of the short-term borrowings are as follows:-

	Minimum and maximum		
	CLO RM	Revolving credits RM	Total RM
As at 31 December 2012/ After exercise of ESOS and Warrant A / As per proforma I, II and III	80,000,000	1,819,976	81,819,976
Arising from Proposed Scheme of Arrangement with Creditors	(49,100,000)	-	(49,100,000)
As per proforma IV	30,900,000	1,819,976	32,719,976
Arising from Proposed Settlement with Secured Creditors	(30,900,000)	(1,819,976)	(32,719,976)
As per proforma V and VI	-	-	-

SUMATEC RESOURCES BERHAD
(Company No: 428355 D)
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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.14. LIABILITIES INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The movement of the liabilities included in disposal group classified as held for sale is as follows:-

	Minimum and maximum RM
As at 31 December 2012/ After exercise of ESOS and Warrant A/ As per Proforma I, II, III and IV	459,798,904
Arising from Proposed Settlement with Secured Creditors	(459,798,904)
As per proforma V and VI	-

CERTIFIED TRUE COPY

HOOI KOK MUN
PARTNER

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2012

SJ GRANT THORNTON
CHARTERED ACCOUNTANTS
Member of Grant Thornton International Ltd

Company No. 428355-D

SUMATEC RESOURCES BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2012

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SUMATEC RESOURCES BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS	Y.Bhg. Dato' Mohd Paudzi bin Ismail Y.Bhg. Dato' Mazlan bin Nasiron Wan Kamaruddin bin Dato' Biji Sura @Wan Abdullah Chan Yok Peng Ismail bin Ibrahim Wan Mohamad Shukri bin Wan Ab. Kadir
SECRETARIES	Lim Seck Wah M. Chandrasegaran A/L S. Murugasu
REGISTERED OFFICE AND REGISTRAR OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
PRINCIPAL PLACE OF BUSINESS	43-G & 43-1, The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur
AUDITORS	SJ Grant Thornton (Member of Grant Thornton International Ltd) Chartered Accountants Level 11, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
PRINCIPAL BANKERS	Alliance Merchant Bank Berhad AmMerchant Bank Berhad Malayan Banking Berhad RHB Investment Bank Berhad Hong Leong Bank Berhad OCBC Bank (M) Berhad Al-Rajhi Banking & Investment Corporation (Malaysia) Berhad
SOLICITORS	E.H. Lim, Lee & Partners Raslan-Loong Shook Lin & Bok William Leong & Co Bahari & Bahari
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad - Main Market

SUMATEC RESOURCES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiary companies and associate companies are disclosed in Note 5 and 6 to the Financial Statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	**Company** RM
Net loss for the financial year:		
Loss after tax from continuing operations	26,708,590	56,140,139
Loss after tax from discontinued operation	78,739,113	-
	105,447,703	56,140,139
Attributable to:		
Owners of the Company	99,734,891	56,140,139
Non-controlling interests	5,712,812	-
	105,447,703	56,140,139

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except for those disclosed in the financial statements.

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

DIRECTORS

The Directors in office since the date of the last report are:-

Y.Bhg. Dato' Mohd Paudzi bin Ismail
Y.Bhg. Dato' Mazlan bin Nasiron
Wan Kamaruddin bin Dato' Biji Sura @ Wan Abdullah
Chan Yok Peng
Ismail bin Ibrahim
Wan Mohamad Shukri bin Wan Ab. Kadir

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the Directors' beneficial interests in the shares of the Company and its related corporations of those who were Directors at the financial year end are as follows:-

	Ordinary shares of RM0.35 each			
	As at 1.1.2012	Bought	Sold	As at 31.12.2012
Deemed interest				
Wan Kamaruddin bin Dato' Biji Sura @ Wan Abdullah*	57,811,094	-	-	57,811,094
Chan Yok Peng *	57,811,094	-	-	57,811,094

* deemed interest by virtue of their shareholdings in Tekad Mulia Sdn. Bhd.

		Option over ordinary shares of RM0.35 each			
	Option price	At 1.1.2012	Granted	Expired	At 31.12.2012
Y.Bhg. Dato' Mohd Paudzi bin Ismail	RM0.35	700,000	-	-	700,000
Y.Bhg. Dato' Mazlan bin Nasiron	RM0.35	700,000	-	-	700,000
Wan Kamaruddin bin Dato' Biji Sura @ Wan Abdullah	RM0.35	1,000,000	-	-	1,000,000
Chan Yok Peng	RM0.35	1,000,000	-	-	1,000,000
Ismail bin Ibrahim	RM0.35	700,000	-	-	700,000

By virtue of their interests in the shares of the Company, Wan Kamaruddin bin Dato' Biji Sura @ Wan Abdullah and Chan Yok Peng are also deemed to have interested in the shares of all the subsidiary companies to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

Other than those disclosed above, none of the other Directors in office at the end of the financial year held any interest in the shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (except as disclosed in Note 31 and 34 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued share of the Company during the financial year apart from the issue of options pursuant to the Employee Share Option Scheme ("ESOS").

The ESOS is governed by the by-laws which were approved by the shareholders at the Eighth Annual General Meeting held on 24 June 2005. On 18 April 2007, the Company implemented ESOS after approvals were obtained from the relevant authorities and to be in force for a period of 5 financial years. The Company has extended the duration of the ESOS for another five years. The ESOS which originally expired on 17 April 2012, have been extended to 16 April 2017.

The salient features and other terms of the ESOS are as follows:

(a) The ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM0.35 each in the Company;

(b) The eligibility of a Director or employee of the Group to participate in the ESOS shall be at the discretion of the ESOS Committee, who shall take into consideration factors such as years of service and performance track record;

(c) The total number of shares to be issued under ESOS shall not exceed in aggregate of 15% of the issued and fully paid-up share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up share capital of the Company;

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

The salient features and other terms of the ESOS are as follows (cont'd):

(d) The option price for each share shall be weighted average of the market price as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date on which the option is granted less, if the ESOS Committee shall so determine at their discretion from time to time, a discount of not more than 10% of the par value of the shares of the Company of RM0.35;

(e) The number of outstanding options to subscribe for shares or the option price or both may be adjusted following any issue of additional shares by way of right issues, bonus issues or other capitalisation issue carried out by the Company while an option remain unexercised; and

(f) The new shares allotted upon any exercise of the option shall rank pari passu in all respects with the existing ordinary shares of the Company except that the new shares so issued will not rank for any rights, dividends, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

As at 31 December 2012, the options offered to take up unissued ordinary shares of RM0.35 each and the option prices are as follows:-

			Number of option over ordinary shares of RM0.35 each				
Year of offer	Expiry date	Option price	At 1.1.2012	Granted	Exercised	Forfeited	At 31.12.2012
2005	16.4.2017	RM0.35	11,430,000	-	-	5,700,000	5,730,000
2006	16.4.2017	RM0.35	10,470,000	-	-	10,470,000	-
2007	16.4.2017	RM0.35	2,215,975	-	-	2,215,975	-
			24,115,975	-	-	18,385,975	5,730,000

Details of options granted to Directors are disclosed in the section of Directors' Interests in this report.

RIGHT SHARE CUM WARRANTS ISSUE

On 4 March 2011, the Company allotted and issued 53,591,055 right shares together with 107,182,110 warrants at an issue price of RM0.35 each on the basis of 1 right share together with 2 free detachable warrants for every 3 existing ordinary shares held in the Company on 9 February 2011 ("Warrant 2011/2021"). Each Warrant 2011/2021 entitles the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 4 March 2011 to 3 March 2021, at an exercise price of RM0.35 in accordance with the Deed Poll. Any warrant not exercised by the date of maturity will lapse thereafter and cease to be valid for all purposes. As at the reporting date, none of the Warrants 2011/2021 is exercised.

The ordinary shares issued from the exercise of Warrants 2011/2021 shall rank pari passu in all respects with the existing issue ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions declared, the entitlement date of which is prior to the date of allotment of the new shares arising from the exercise of Warrants 2011/2021.

The Warrants 2011/2021 are constituted by a Deed Poll dated 8 October 2010.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

(a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

(b) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for those that are disclosed in the Notes to the Financial Statements; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING DATE

Significant events during the financial year and subsequent to the reporting date are disclosed in Note 40 to the Financial Statements.

AUDITORS

The Auditors, Messrs SJ Grant Thornton, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors,

....)
WAN KAMARUDDIN BIN DATO' BIJI)
SURA @WAN ABDULLAH)
) DIRECTORS
....)
CHAN YOK PENG)

Kuala Lumpur
3 0 APR 2013

Company No. 428355-D

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 14 to 101 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out on Note 41 on page 102 to the Financial Statements has been complied with the 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors,

WAN KAMARUDDIN BIN DATO' BIJI SURA @WAN ABDULLAH	CHAN YOK PENG

Kuala Lumpur

3 0 APR 2013

STATUTORY DECLARATION

I, Peng Ng Leng @ Peng Eng Leng, being the Officer primarily responsible for the financial management of Sumatec Resources Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 14 to 102 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
3 0 APR 2013)

PENG NG LENG @ PENG ENG LENG

Before me:

Commissioner for Oaths

PESURUHJAYA SUMPAH
W.490
S. ARULSAMY
MALAYSIA

16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur.

Grant Thornton
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)
Company No: 428355 D

SJ Grant Thornton (AF:0737)
Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

T +603 2692 4022
F +603 2691 5229
www.gt.com.my

Report on the Financial Statements

We have audited the financial statements of Sumatec Resources Berhad, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 101.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 and Note 40 to the Financial Statements, the Group and the Company had incurred a net loss of RM105,447,703 and RM56,140,139 respectively for the financial year ended 31 December 2012. As at this date, the Group and the Company have a capital deficiency of RM137,830,749 and RM75,750,122 respectively. The total current liabilities of the Group and of the Company exceeded its total current assets by RM68,218,603 and RM75,750,223 respectively. These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's and the Company's abilities to continue as going concerns. The ability of the Group and of the Company to continue as going concerns is dependent on the future profitable operations, obtaining additional financial support from other sources, successful extension of credit repayment terms by financial institutions/lenders, support of creditors and the successful implementation of its proposed regularisation plan. The financial statements of the Group and of the Company do not include any adjustments relating to the amount and classification of assets and liabilities that might be necessary should the Group and the Company unable to continue as going concerns. In view of the fact that the preparation of the financial statements is on a going concern basis, we consider that this disclosure should be brought to your attention.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, which are indicated in Note 5 to the Financial Statements.

(c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment under Section 174 (3) of the Act.

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Other Reporting Responsibilities

The supplementary information set out in Note 41 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 2.4 to the Financial Statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the MFRS transition comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

DATO' N.K. JASANI
(NO: 708/03/14(J/PH))
CHARTERED ACCOUNTANT

Kuala Lumpur
30 April 2013

Company No. 428355-D

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

		Group			Company		
	Note	2012 RM	2011 RM	1 January 2011 RM	2012 RM	2011 RM	1 January 2011 RM
ASSETS							
Non-current assets							
Investment in subsidiary companies	5	-	-	-	100	64,496,372	159,829,443
Investment in associate companies	6	-	-	-	-	-	-
Other investments	7	33	33	33	-	-	-
Goodwill on consolidation	8	-	2,417,714	37,164,559	-	-	-
Property, plant and equipment	9	1,214,001	634,048,963	680,599,750	1	1	1
Fixed deposits with licensed banks	10	-	2,103,030	5,029,604	-	-	-
Development expenditure	11	-	-	211,170	-	-	-
Deferred tax assets	12	-	-	13,149,783	-	-	-
Total non-current assets		1,214,034	638,569,740	736,154,899	101	64,496,373	159,829,444
Current assets							
Inventories	13	-	6,099,419	3,436,408	-	-	-
Amount due from customers on contracts	14	-	4,755,710	10,381,205	-	-	-
Trade receivables	15	-	22,539,124	67,209,447	-	-	-
Other receivables	16	239,089	9,291,637	9,272,034	2,468	8,348	3,594,859
Amount due from subsidiary companies	17	-	-	-	13,720,085	13,723,858	55,036,579
Amount due from associate companies	18	1,618	6,045	4,453	1,618	1,618	4,453
Tax recoverable		830,532	1,972,615	1,921,686	-	-	-
Fixed deposits with licensed banks	10	-	6,756	6,756	-	-	-
Cash and bank balances		70,866	1,466,749	482,307	5,434	4,260	3,058
		1,142,105	46,138,055	92,714,296	13,729,605	13,738,084	58,638,949
Assets included in disposal group/non-current assets classified as held for sale	19	549,118,557	-	-	18,800,000	-	-
Total current assets		550,260,662	46,138,055	92,714,296	32,529,605	13,738,084	58,638,949
Total assets		551,474,696	684,707,795	828,869,195	32,529,706	78,234,457	218,468,393
EQUITY AND LIABILITIES							
EQUITY							
Equity attributable to owners of the Company:							
Share capital	20	75,027,477	75,027,477	56,270,608	75,027,477	75,027,477	56,270,608
Other reserves	21	33,478,714	33,534,665	21,818,456	32,192,051	32,192,051	17,186,556
(Accumulated losses)/Retained earnings		(246,336,940)	(146,658,000)	(61,309,891)	(182,969,650)	(126,829,511)	51,139,321
		(137,830,749)	(38,095,858)	16,779,173	(75,750,122)	(19,609,983)	124,596,485
Non-controlling interests		70,519,653	76,202,033	69,252,486	-	-	-
Total equity		(67,311,096)	38,106,175	86,031,659	(75,750,122)	(19,609,983)	124,596,485
LIABILITIES							
Non-current liabilities							
Term loans	22	-	383,038,964	500,894,456	-	-	72,000,000
Finance lease payables	23	306,527	472,691	677,969	-	-	-
Other payables and accruals	24	-	-	7,000,000	-	-	-
Deferred tax liabilities	12	-	656,816	1,210,330	-	-	-
Total non-current liabilities		306,527	384,168,471	509,782,755	-	-	72,000,000

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

		Group			Company		
	Note	2012 RM	2011 RM	1 January 2011 RM	2012 RM	2011 RM	1 January 2011 RM
Current liabilities							
Amount due to customers on contracts	14	-	-	3,364,412	-	-	-
Trade payables	25	28,741,099	43,075,320	80,685,011	-	-	-
Other payables and accruals	24	48,006,968	71,351,472	62,126,850	27,697,677	17,262,289	13,851,095
Amount due to a subsidiary company	17	-	-	-	582,151	582,151	-
Amount due to associate companies	18	523	523	183,223	-	-	-
Short-term borrowings	26	81,931,771	148,005,834	86,695,285	80,000,000	80,000,000	8,020,813
		158,680,361	262,433,149	233,054,781	108,279,828	97,844,440	21,871,908
Liabilities included in disposal group classified as held for sale	19	459,798,904	-	-	-	-	-
Total current liabilities		618,479,265	262,433,149	233,054,781	108,279,828	97,844,440	21,871,908
Total liabilities		618,785,792	646,601,620	742,837,536	108,279,828	97,844,440	93,871,908
Total equity and liabilities		551,474,696	684,707,795	828,869,195	32,529,706	78,234,457	218,468,393

The accompanying notes form an integral part of the financial statements.

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note	2012	2011	2012	2011
		RM	RM	RM	RM
Revenue	27	1,543,362	10,771,005	-	-
Other income		297,971	7,758,101	694,592	-
Cost of sales	28	(9,496,952)	(16,864,678)	-	-
Staff costs	29	(2,999,838)	(4,311,689)	(971,243)	(970,198)
Depreciation		(214,559)	(316,568)	-	-
Other expenses		(4,522,633)	(53,061,086)	(46,753,702)	(152,167,155)
Finance costs	30	(10,168,346)	(12,061,428)	(9,109,786)	(9,724,928)
Loss before taxation	31	(25,560,995)	(68,086,343)	(56,140,139)	(162,862,281)
Tax expense	32	(1,147,595)	(12,785,331)	-	(101,056)
Net loss from continuing operations		(26,708,590)	(80,871,674)	(56,140,139)	(162,963,337)
Net (loss)/profit from discontinued operation	19	(78,739,113)	14,189,321	-	-
Net loss for the financial year		(105,447,703)	(66,682,353)	(56,140,139)	(162,963,337)
Other comprehensive income					
Realisation of revaluation reserve		55,951	3,289,286	-	-
Total comprehensive loss for the financial year		(105,391,752)	(63,393,067)	(56,140,139)	(162,963,337)
Net (loss)/profit for the financial year attributable to:					
Owners of the Company					
- Continuing operations		(94,187,547)	(80,868,454)		
- Discontinued operation		(5,547,344)	7,236,554		
Non-controlling interests		(5,712,812)	6,949,547		
Net loss for the financial year		(105,447,703)	(66,682,353)		
Total comprehensive (loss)/income for the finanical year attributable to:					
Owners of the Company					
- Continuing operations		(94,131,596)	(77,579,168)		
- Discontinued operation		(5,547,344)	7,236,554		
Non-controlling interests		(5,712,812)	6,949,547		
Total comprehensive loss for the financial year		(105,391,752)	(63,393,067)		
(Losses)/Earnings per share					
Basic (losses)/earnings per share (sen):	33				
Losses from continuing operations		(43.94)	(39.43)		
(Losses)/Earnings from discontinued operation		(2.59)	3.53		
Total		(46.53)	(35.90)		

The accompanying notes form an integral part of the financial statements.

SUMATEC RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	← Non-distributable			→	Distributable			
	Share capital RM	Revaluation reserve RM	Warrant reserve RM	Capital reserve RM	(Accumulated losses)/Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group								
Balance at 1 January 2011	56,270,608	4,631,900	-	17,186,556	(61,309,891)	16,779,173	69,252,486	86,031,659
Realisation of revaluation reserve	-	(3,289,286)	-	-	-	(3,289,286)	-	(3,289,286)
Total comprehensive loss for the financial year	-	-	-	-	(70,342,614)	(70,342,614)	6,949,547	(63,393,067)
Transactions with owners:								
Right issue	18,756,869	-	-	-	-	18,756,869	-	18,756,869
Warrant reserve	-	-	15,005,495	-	(15,005,495)	-	-	-
Total transactions with owners	18,756,869	-	15,005,495	-	(15,005,495)	18,756,869	-	18,756,869
Balance at 31 December 2011	75,027,477	1,342,614	15,005,495	17,186,556	(146,658,000)	(38,095,858)	76,202,033	38,106,175
Realisation of revaluation reserve	-	(55,951)	-	-	-	(55,951)	-	(55,951)
Total comprehensive loss for the financial year	-	-	-	-	(99,678,940)	(99,678,940)	(5,712,812)	(105,391,752)
Transaction with owners:								
Realised upon subsidiary companies written off	-	-	-	-	-	-	30,432	30,432
Total transaction with owners	-	-	-	-	-	-	30,432	30,432
Balance at 31 December 2012	75,027,477	1,286,663	15,005,495	17,186,556	(246,336,940)	(137,830,749)	70,519,653	(67,311,096)
Company								
Balance at 1 January 2011	56,270,608	-	-	17,186,556	51,139,321	124,596,485	-	124,596,485
Total comprehensive loss for the financial year	-	-	-	-	(162,963,337)	(162,963,337)	-	(162,963,337)
Transactions with owners:								
Right issue	18,756,869	-	-	-	-	18,756,869	-	18,756,869
Warrant reserve	-	-	15,005,495	-	(15,005,495)	-	-	-
Total transactions with owners	18,756,869	-	15,005,495	-	(15,005,495)	18,756,869	-	18,756,869
Balance at 31 December 2011	75,027,477	-	15,005,495	17,186,556	(126,829,511)	(19,609,983)	-	(19,609,983)
Total comprehensive loss for the financial year	-	-	-	-	(56,140,139)	(56,140,139)	-	(56,140,139)
Balance at 31 December 2012	75,027,477	-	15,005,495	17,186,556	(182,969,650)	(75,750,122)	-	(75,750,122)

The accompanying notes form an integral part of the financial statements.

SUMATEC RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
OPERATING ACTIVITIES				
(Loss)/Profit before taxation				
- Continuing operations	(25,560,995)	(68,086,343)	(56,140,139)	(162,862,281)
- Discontinued operation (Note 19)	(78,731,995)	14,153,489	-	-
	(104,292,990)	(53,932,854)	(56,140,139)	(162,862,281)
Adjustments for:				
Bad debts written off	1,247,724	2,601,314	-	20,222
Depreciation	28,506,726	30,203,233	-	-
Development expenditure written off	-	211,170	-	-
(Gain)/Loss from subsidiary companies written off	(90,363)	-	2	65
Impairment loss on amount due from associate companies	4,427	-	-	-
Impairment loss on amount due from subsidiary companies	-	-	15,947	50,072,986
Impairment loss on investment in subsidiary companies	-	-	-	95,333,006
Impairment loss on disposal group/non-current assets classified as held for sale:				
- investment in a subsidiary company	-	-	45,696,272	-
- goodwill	2,417,714	-	-	-
- property, plant and equipment	67,861,968	-	-	-
Impairment loss on goodwill	-	34,746,845	-	-
Impairment loss on receivables	-	10,175,429	-	3,508,733
Interest expenses				
- continuing operations	10,168,346	12,061,428	9,109,786	9,724,647
- discontinued operation	29,272,240	26,791,932	-	-
Interest income	(114,690)	(1,680)	-	-
Loss/(Gain) on disposal of property, plant and equipment	15,630,726	(2,086,808)	-	-
Property, plant and equipment written off	165,759	198	-	-
Reversal of impairment loss on investment in a subsidiary company	-	-	(2)	-
Reversal of impairment loss on amount due from subsidiary companies	-	-	(694,592)	-
Reversal of impairment loss on receivables	-	(1,619,882)	-	-
Reversal of impairment loss on amount due from an associate company	-	(286,500)	-	-
Saving arising from debts restructuring	(37,005,066)	-	-	-
Unrealised (gain)/loss on foreign exchange	(11,964)	953,547	-	-
Waiver of non-trade debts	-	(272,120)	-	-
Operating profit/(loss) before working capital changes	13,760,557	59,545,252	(2,012,726)	(4,202,622)
Customers on contracts	4,755,710	2,261,083	-	-
Inventories	(7,074,549)	(2,663,011)	-	-
Receivables	11,417,728	33,066,829	5,880	57,556
Payables	29,552,650	(44,125,163)	1,325,602	(2,412,332)
Associate companies	-	102,208	-	-
Cash generated from/(used in) operations	52,412,096	48,187,198	(681,244)	(6,557,398)
Interest paid	(32,246,770)	(29,822,373)	-	(3,901,121)
Interest received	114,690	1,680	-	-
Tax paid	(37,124)	(204,159)	-	(101,056)
Net cash from/(used in) operating activities	20,242,892	18,162,346	(681,244)	(10,559,575)

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note A)	(6,435,713)	(5,128,727)	-	-
Proceeds from disposal of property, plant and and equipment	14,040,233	23,562,891	-	-
Net cash outflows of subsidiary companies written off	(1,987)	-	-	-
Upliftment of fixed deposits	2,103,030	2,926,574	-	-
Net cash from investing activities	9,705,563	21,360,738	-	-
FINANCING ACTIVITIES				
Net repayment of borrowings	(30,290,732)	(60,397,352)	-	-
Repayment of finance lease payables	(120,915)	(351,454)	-	(20,813)
Right issue	-	18,756,869	-	18,756,869
Repayment from/(Advance to) subsidiary companies	-	-	682,418	(8,178,114)
Repayment from associate companies	-	-	-	2,835
Net cash (used in)/ from financing activities	(30,411,647)	(41,991,937)	682,418	10,560,777
CASH AND CASH EQUIVALENTS				
Net changes	(463,192)	(2,468,853)	1,174	1,202
At beginning of financial year	(14,526,698)	(12,057,845)	4,260	3,058
At end of financial year (Note B)	(14,989,890)	(14,526,698)	5,434	4,260

NOTES TO THE STATEMENTS OF CASH FLOWS:-

A. Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with aggregate costs of RM6,718,713 (2011: RM5,128,727) of which RM283,000 (2011: Nil) were acquired by means of hire purchase arrangement. Cash payment of RM6,435,713 (2011: RM5,128,727) were made to purchase the property, plant and equipment.

B. Cash and cash equivalents comprise of :-

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash and bank balances	70,866	1,466,749	5,434	4,260
Fixed deposits with licensed banks	-	6,756	-	-
Bank overdrafts	-	(16,000,203)	-	-
	70,866	(14,526,698)	5,434	4,260
Cash and cash equivalents under disposal group classified as held for sale	(15,060,756)	-	-	-
	(14,989,890)	(14,526,698)	5,434	4,260

The accompanying notes form an integral part of the financial statements.

SUMATEC RESOURCES BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

1. **GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Company is located at 43-G & 43-1, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary companies and associate companies are disclosed in Note 5 and 6 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 30 April 2013.

2 **BASIS OF PREPARATION**

2.1 **Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 **Basis of measurement**

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

2.3 **Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except stated otherwise.

2.4 **First-time adoption of MFRSs**

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

2. BASIS OF PREPARATION (CONT'D)

2.4 First-time adoption of MFRSs (cont'd)

The accounting policies set out in Note 4 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the opening consolidated statements of financial position of the Group and the opening statements of financial position of the Company as at 1 January 2011.

2.5 Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

Amendments to MFRS effective 1 July 2012 :

MFRS 101	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

MFRSs effective 1 January 2013 :

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by International Accounting Standards Board ("IASB") in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Interpretation 20	Stripping Costs in the Production of A Surface Mine

Amendments to MFRSs effective 1 January 2013 :

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Annual Improvements 2009 – 2011 Cycle issued in July 2012

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company (cont'd):

Amendments to MFRS effective 1 January 2014 :

MFRS 10,12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

MFRSs effective 1 January 2015 :

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

MFRS 1, 11, 12 and IC Interpretation 20 are not applicable to the Group's operations.

MFRS 1, 10, 11, 12, 127, 128 and IC Interpretation 20 are not applicable to the Company's operations.

The initial application of the relevant standards are not expected to have any financial impacts to the financial statements upon the first adoption, except for:

MFRS 9 Financial Instruments

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhance disclosures about fair value measurements. It replaces the existing fair value guidance in different MFRSs.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

The initial application of the relevant standards are not expected to have any financial impacts to the financial statements upon the first adoption, except for (cont'd):

MFRS 13 Fair Value Measurement (cont'd)

The adoption of MFRS 13 will result in a change in accounting policy for the items measured at fair value in the financial statements. The Group is currently examining the financial impact of adopting MFRS 13.

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 2.5 to 50 years and reviews the useful lives of depreciable assets at the end of the reporting date. The management assesses that the useful lives represent the expected utility of the assets to the Group.

The carrying amount of the Group's property, plant and equipment at the end of the reporting date is disclosed in Note 9 to the Financial Statements.

A 1% difference in the expected useful lives of the property, plant and equipment from the management' estimates would result in approximately 0.27% (2011 : 0.45%) variance in the Group's loss for the financial year.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Impairment of loans and receivables

The Group assesses at the end of the reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The carrying amount of the Group's loans and receivables at the end of the reporting date is as summarised in Note 38 to the Financial Statements.

Income taxes/ Deferred taxation

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Income taxes/ Deferred taxation (cont'd)

Deferred tax assets are recognised for all unabsorbed business losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Construction contract

The carrying amount of construction contracts of Nil (2011: RM4,755,710, 1 January 2011: RM7,016,793) and revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group's management assesses the profitability of on-going construction contracts and the order backlog at least monthly, using extensive project management procedures. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Construction contract revenue

The stage of completion of any construction contract is assessed by management by taking into consideration all information available at the end of the reporting date. In this process, management carries out significant judgments about milestones, actual work performed and the estimated costs to complete the work.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.2 Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Discontinued operation

On 21 December 2012, the Company entered into a sale and purchase agreement with third parties for the disposal of its subsidiary company relating to 64,496,272 shares comprising 51% of all the issued and paid up ordinary shares of Semua International Sdn. Bhd. ("SISB") for a total sales consideration of RM18,800,000, and therefore classified it as disposal group held for sale. The Board considered that SISB and its subsidiary companies ("SISB Group") met the criteria to be classified as disposal group held for sale at that date for the following reasons:

- SISB Group is available for immediate sale and can be sold to a potential buyer in its current condition;
- The Board had entered into a sale and purchase agreement with a potential buyer; and
- The Board expects negotiations to be finalised and the sale to be completed in May 2013.

Refer Note 19 for more details on the discontinued operation.

Leases

In applying the classification of leases in FRS 117, management considers all of its leases of leasehold land as operating lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

3. GOING CONCERN

As at 31 December 2012, the Group and the Company incurred a net loss of RM105,447,703 and RM56,140,139 respectively and having capital deficiency of RM137,830,749 and RM75,750,122 respectively, and as of that date, the Group's and the Company's total current liabilities exceeded its total current assets by RM68,218,603 and RM75,750,223 respectively. In addition, the Company is in the midst of re-scheduling its repayment of an overdue debt as disclosed in Note 22 to the Financial Statements. These factors raise our concern as to the basis of the preparation of the financial statements of the Group and of the Company on a going concern.

3. GOING CONCERN (CONT'D)

The basis for the preparation of the financial statements of the Group and of the Company is therefore dependent upon the present corporate initiatives, profitable operations of the Group and of the Company to generate sufficient cash in the future to fulfill their obligations as and when they fall due and financial support from the lenders and shareholders. The Directors are of the opinion that the Group and the Company will be able to operate profitably in the foreseeable future, and obtain continuing financial support from the lenders and shareholders and therefore continue as going concerns and accordingly, realise their assets and discharge their liabilities in the normal course of business.

In view of the foregoing, the Directors consider that it is appropriate to prepare the financial statements of the Group and of the Company on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the amount and classification of assets and liabilities that may be necessary should the going concerns basis for the preparation of the financial statements of the Group and of the Company be not appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements and in preparing their opening MFRS statements of financial position at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

4.1 Consolidation

4.1.1 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the equity interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (cont'd)

4.1.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary company acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (cont'd)

4.1.3 Non-controlling interests

Non-controlling interests at the end of the reporting date, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if that results in a deficit balance.

4.1.4 Loss of control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4.1.5 Subsidiary companies

A subsidiary company is a company in which the Group or the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (cont'd)

4.1.6 Associate companies

Associate companies are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in associate companies are accounted for using the equity method. Under the equity method, investment in an associate company is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate company.

The share of the results of an associate company is reflected in profit or loss. This is the profit attributable to equity holders of the associate company. When the Group's share of losses exceeds its interest in an associate company, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate company.

Where there has been a change recognised directly in the equity of an associate company, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate companies are eliminated to the extent of the interest in the associate company.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associate companies. The Group determines at the end of the reporting date whether there is any objective evidence that the investments in the associate company are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate companies and their carrying values and recognise the amount in the "share of profit of associate companies" in profit or loss.

Upon loss of significant influence over an associate company, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate company upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associate companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Property, plant and equipment and depreciation

All property, plant and equipment, except for land and buildings, are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost of vessels includes the initial cost of bringing the vessels into operation. All subsequent fleet maintenance is charged to the statements of comprehensive income. Cost incurred on dry docking of vessels which enhance the useful lives of the vessels are accounted for as acquisition of separate asset within vessels and are depreciated over the period to the next dry docking. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at fair values less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and building at the end of the reporting year.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income.

Depreciation is recognised on the straight line method in order to write off the cost or valuation of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Oil tankers are depreciated over their expected useful lives after taking into account their estimated residual values.

Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	4%
Buildings	2% - 4%
Oil tankers	4% - 5%
Launch boat	10%
Dry-docking expenditure	40%
Plant and machinery	20%
Office equipment, furniture and fittings	10% - 20%
Renovation	10% - 20%
Computer equipment and software	20%
Motor vehicles	10% - 20%

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Property, plant and equipment and depreciation (cont'd)

The residual values, useful lives and depreciation method are reviewed at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

4.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Leases (cont'd)

Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

4.4 Development expenditure

Development expenditure comprises all costs that are directly attributable to the intended property development project which will be charged to the property development account upon inception of the intended project. Should the project aborted, the related expenditure will be charged to statements of comprehensive income in the financial year in which such decision is made.

4.5 Financial instruments

4.5.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair values plus transactions costs, except for financial assets and financial liabilities carried at fair values through profit or loss, which are measured initially at fair values. Financial assets and financial liabilities are measured subsequently as described below.

4.5.2 Financial assets - categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

a) financial assets at fair value through profit or loss;
b) held-to-maturity investments;
c) loans and receivables; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial instruments (cont'd)

4.5.2 Financial assets - categorisation and subsequent measurement (cont'd)

All financial assets except for those at fair values through profit or loss are subject to review for impairment at least at the end of the reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

At the reporting date, the Group and the Company have not designated any financial assets at fair value through profit or loss and held to maturity investments. The Group and the Company carries only loans and receivables and available-for-sale financial assets on its statements of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most of the other receivables, amount due from subsidiary companies and associate companies fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting date which are classified as non-current.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial instruments (cont'd)

4.5.2 Financial assets - categorisation and subsequent measurement (cont'd)

Available-for-sale financial assets (cont'd)

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting date.

4.5.3 Financial liabilities - categorisation and subsequent measurement

After the initial recognition, financial liability is classified as other liabilities measure at amortised cost using the effective interest method.

a) financial liability at fair value through profit or loss;
b) other liabilities measure at amortised cost using the effective interest method; and
c) financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

At reporting date, the Group and the Company carry only other liabilities and financial guarantee contracts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial instruments (cont'd)

4.5.3 Financial liabilities - categorisation and subsequent measurement (cont'd)

Other liabilities measured at amortised cost

The Group's and the Company's other liabilities include borrowings, trade and other payables, amount due to subsidiary companies and associate companies.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date.

Financial guarantee contracts

Financial guarantee contracts issued by the Group or the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

4.5.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market process or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as how they are measured are provided in Note 38 to the Financial Statements.

4.5.5 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible preference shares that can be converted to share capital at the option of the holder, and the number of shares to be issued vary with changes in their fair value.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Financial instruments (cont'd)

4.5.5 Compound financial instruments (cont'd)

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

4.6 Impairment of assets

4.6.1 Non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiary companies or other available fair value indicators.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Impairment of assets (cont'd)

4.6.1 Non-financial assets (cont'd)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the end of each reporting date, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting date, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

4.6.2 Financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Impairment of assets (cont'd)

4.6.2 Financial assets (cont'd)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Available-for-sale financial assets

For available-for-sale financial assets, the Group and the Company assess at each reporting date whether there is objective evidence that an investment or a group of investment is impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Impairment of assets (cont'd)

4.6.2 Financial assets (cont'd)

Available-for-sale financial assets (cont'd)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Foreign currency translation

The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also its functional currency.

4.7.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in RM at the currency rates prevailing at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated in RM at the currency rates ruling at the reporting date.

All differences are taken to profit or loss.

4.7.2 Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss and other comprehensive income are translated at average rate over the reporting year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

4.8 Amount due from/to customers on contracts

Amount due from/to customers on contracts is the net amount of cost incurred for construction in-progress plus attributable profit less progress billings and anticipated losses, if any. Contract costs incurred to date include:

i. costs directly related to the contract;
ii. costs attributable to contract activity in general and can be allocated to the contract; and
iii. other eosts specifically chargeable to the customers under the terms of the contract.

4.9 Inventories

Inventories are stated at lower of cost and net realisable value and are determined using the first-in-first-out basis. The cost of inventories includes direct costs and transportation charges necessary to bring the inventories to their present locations and conditions.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits, bank overdraft and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

4.11 Non-current assets held for sale and discontinued operations

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

A component of the Group is classified as discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinate major line of business or geographical area of operations or is a subsidiary company acquired exclusively with a view to resale.

Classification of the asset (or disposal group) as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale (or disposal group), the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Liabilities are classified as held for sale and presented as such in the statements of financial position if they are directly associated with the disposal group.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Non-current assets held for sale and discontinued operations (cont'd)

In the consolidated statements of comprehensive income of the reporting year, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after tax, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after tax) is reported separately in the statements of comprehensive income.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted associates ceases once classified as held for sale.

4.12 Equity and reserves

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

The revaluation reserve within equity comprises gains or losses due to the revaluation of property, plant and equipment.

The warrant reserve is valued based on the closing price of the first trading day. The issuance of the ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Capital reserve arose from the capital reduction.

Retained earnings/accumulated losses include all current and prior year retained profits/accumulated losses.

All transactions with owners of the Company are recorded separately within equity.

4.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 **Provisions (cont'd)**

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.14 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the year in which they incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

4.15 **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Revenue on construction project works is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Where the outcome of a construction project cannot be estimated reliably:-

(a) revenue is recognised only to the extend of contract costs incurred that it is probable will be recoverable; and
(b) contract costs will be recognised as expenses in the financial year in which they incurred.

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a period of the contract by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Revenue (cont'd)

(ii) Revenue from charter of oil tankers is recognised on an accrual basis.

(iii) Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income is accounted for on a straight-line basis over the lease terms.

4.16 Income tax

Tax expenses comprise current and deferred tax. Current tax and deferred tax are recognised in profit or loss. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

4.16.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year.

Current tax is recognised in the statements of financial position as an asset to the extent that it is refundable.

4.16.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Income tax (cont'd)

4.16.2 Deferred tax (cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

4.17 Employee benefits

4.17.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

A provision is made for the estimated liability for unutilised leave as a result of services rendered by employees up to the end of the reporting year.

4.17.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 Employee benefits (cont'd)

4.17.3 Employee share option schemes

The Employee Share Options Scheme ("the Scheme") allows the Group's and the Company's employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

The fair value of the employee services received in exchange for the grant of the share option is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group and the Company revised the estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings/accumulated losses.

In accordance with MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards, the Group and the Company have opted not to apply the MFRS 2 - Share-based Payment for share options granted after 7 November 2002 and vested before the date of transition to MFRSs.

4.18 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group; or
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the ultimate holding company of the Group, or the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 Related parties (cont'd)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group; or
(ii) one entity is an associate or joint venture of the other entity; or
(iii) both entities are joint ventures of the same third party; or
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
(v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group; or
(vi) the entity is controlled or jointly-controlled by a person identified in (a) above; or
(vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.

4.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4.20 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2012 RM	2011 RM	1 January 2011 RM
Unquoted shares, at cost			
At 1 January	159,829,378	159,829,443	146,576,925
Acquisition of subsidiary companies	-	-	126,463,374
Disposal of a subsidiary company	-	-	(113,210,856)
Subsidiary companies written off	(2)	(65)	-
At 31 December	159,829,376	159,829,378	159,829,443
Less: Impairment losses			
At 1 January	(95,333,006)	-	-
Impairment loss recognised	(45,696,272)	(95,333,006)	-
Impairment loss reversed	2	-	-
At 31 December	(141,029,276)	(95,333,006)	-
	18,800,100	64,496,372	159,829,443
Transferred to non-current assets classified as held for sale	(18,800,000)	-	-
	100	64,496,372	159,829,443

Details of the subsidiary companies are as follows:

	Name of company	Effective interest 2012 %	2011 %	1 January 2011 %	Principal activities	Country of incorporation
(a)	Sumatec Corporation Sdn. Bhd.	100	100	100	Engineering and contracting	Malaysia
	Held under Sumatec Corporation Sdn. Bhd.					
	(i) Calinex Sdn. Bhd.	100	100	100	Dormant	Malaysia
	(ii) Petroreka Sdn. Bhd.	100	100	100	Dormant	Malaysia
	(iii) Sumatec Fabricators Sdn. Bhd.	100	100	100	Dormant	Malaysia
	(iv) Sumatec Trackworks Sdn. Bhd.	100	100	100	Dormant	Malaysia
	(v) Sumatec Petroleum Development Sdn. Bhd.	100	100	100	Dormant	Malaysia
	(vi) Sumatec Engineering & Construction Sdn. Bhd.	51	51	51	Engineering and contracting	Malaysia
	(vii) Sumatec Development Sdn. Bhd.	100	100	100	Dormant	Malaysia
	(viii) Vertirex Development Sdn. Bhd.	100	100	100	Dormant	Malaysia
	(ix) Sumatec Pte. Ltd. #	100	100	100	Dormant	Singapore
	(x) Sumatec Thai Co. Ltd. #	74	74	74	Dormant	Thailand
	(xi) Wailik Enterprise Sdn Bhd.#	70	70	70	Dormant	Malaysia
	(xii) Indotech Sdn. Bhd.*	-	-	70	Dormant	Malaysia

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows (cont'd):

	Name of company	Effective interest 2012 %	2011 %	1 January 2011 %	Principal activities	Country of incorporation
(b)	Tenaga Biomass Sdn. Bhd.	100	100	100	Dormant	Malaysia
(c)	North Malaysia Terminal Sdn. Bhd.	100	100	100	Dormant	Malaysia
(d)	Perlis Bio-Power Sdn. Bhd.	80	80	80	Dormant	Malaysia
(e)	Grand Niugini Sdn. Bhd.*	-	-	65	Dormant	Malaysia
(f)	Untungwell Sdn. Bhd.#*	-	-	100	Dormant	Malaysia
(g)	IR OilRigs Malaysia Sdn. Bhd.	51	51	51	Dormant	Malaysia
	Held under IR OilRigs Malaysia Sdn. Bhd.					
	(i) Victory Oil Sdn. Bhd.*	-	-	100	Dormant	Malaysia
(h)	Destaman Sdn. Bhd. #	100	100	100	Investment holding	Malaysia
	Held under Destaman Sdn. Bhd.					
	(i) Jabat Yakin Aluminium Sdn. Bhd. #	60	60	60	Dormant	Malaysia
(i)	Semua International Sdn. Bhd.@ ^	51	51	51	Investment holding	Malaysia
	Held under Semua International Sdn. Bhd.					
	(i) Semua Shipping Sdn. Bhd. ^	100	100	100	Engaged in the business of shipping and the provision of related services	Malaysia
	(ii) Semado Maritime Sdn. Bhd.^	100	100	100	Engaged in the business of shipping and the provision of related services	Malaysia
	(iii) Mini Tankers Chartering Sdn. Bhd.^	100	100	100	Renting of industrial building	Malaysia
	(iv) Semua Chemical Shipping Sdn. Bhd. ^	100	100	100	Engaged in the business of shipping and the provision of related services	Malaysia
(j)	Landfill Rehab Sdn. Bhd.#	100	100	100	Dormant	Malaysia

\# Not audited by SJ Grant Thornton

@ The shares of the subsidiary company have been pledged to financial institutions for credit facilities obtained by the Company

^ Reclassify to non-current asset classified as held for sale as disclosed in Note 19 to the Financial Statements

* The subsidiary companies had been written off in the previous financial years

6. INVESTMENT IN ASSOCIATE COMPANIES

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Unquoted shares, at cost	375,540	375,540	375,540
Less: Impairment losses			
At 1 January	(375,540)	(375,540)	(375,048)
Impairment loss recognised	-	-	(492)
At 31 December	(375,540)	(375,540)	(375,540)
	-	-	-
Represented by:-			
Share of net assets	-	-	-

A list of associate companies is as follows:-

Name of company	Effective interest 2012 %	Effective interest 2011 %	Effective interest 1 January 2011 %	Principal activities	Country of incorporation
Adinin Sumatec JV Sdn. Bhd. #	50	50	50	Dormant	Brunei
ESE (Cambodia) Pte. Ltd.#	50	50	50	Dormant	Republic of Cambodia
Sumatec (Middle East) LLC #	49	49	49	Dormant	United Arab Emirates
Thai Polymix Co Ltd. #	49	49	49	Dormant	Thailand
UHP Engineering Sdn. Bhd.	49	49	49	Dormant	Malaysia

Not audited by SJ Grant Thornton

7. OTHER INVESTMENTS

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Available-for-sale financial assets			
At cost:			
- Unquoted shares	228,033	228,033	228,033
- Unquoted bonds	2,000,000	2,000,000	2,000,000
	2,228,033	2,228,033	2,228,033
Less: Impairment losses			
At 1 January	(2,228,000)	(2,228,000)	(228,000)
Impairment loss recognised	-	-	(2,000,000)
At 31 December	(2,228,000)	(2,228,000)	(2,228,000)
	33	33	33

7. OTHER INVESTMENTS (CONT'D)

	Company		
			1 January
	2012	2011	2011
	RM	RM	RM
Available-for-sale financial assets			
At cost:			
Unquoted bonds	2,000,000	2,000,000	2,000,000
Less: Impairment losses			
At 1 January	(2,000,000)	(2,000,000)	-
Impairment loss recognised	-	-	(2,000,000)
At 31 December	(2,000,000)	(2,000,000)	(2,000,000)
	-	-	-

8. GOODWILL ON CONSOLIDATION

	Group		
			1 January
	2012	2011	2011
	RM	RM	RM
At 1 January	53,164,559	53,164,559	55,487,460
Disposal of subsidiary companies	-	-	(2,322,901)
At 31 December	53,164,559	53,164,559	53,164,559
Less: Impairment losses			
At 1 January	(50,746,845)	(16,000,000)	(16,000,000)
Impairment loss recognised	(2,417,714)	(34,746,845)	-
At 31 December	(53,164,559)	(50,746,845)	(16,000,000)
	-	2,417,714	37,164,559

The goodwill on consolidation not impaired was derived from the following:-

	Group		
			1 January
	2012	2011	2011
	RM	RM	RM
Construction division	-	-	33,485,706
Shipping division	-	2,417,714	2,417,714
Others	-	-	1,261,139
	-	2,417,714	37,164,559

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

8. GOODWILL ON CONSOLIDATION (CONT'D)

The recoverable amount for the above (shipping division) is based on its value in use and is determined by discounting the future cash flows generated from the continuing use of those units based on the following key assumptions:-

- cash flows are projected based on actual operating results and a Nil (2011 and 1 January 2011: 5-years) business plan.

- revenue is projected at anticipated annual revenue growth of approximately Nil (2011: Nil% to 5%, 1 January 2011: 10% to 20%) per annum.

- gross profit margin is projected at a range of Nil (2011 and 1 January 2011: 30% to 40%).

- expenses are projected at annual increase of approximately Nil (2011 and 1 January 2011: 5% to 10%) per annum.

- a pre-tax discount rates range from Nil (2011: 4.4% to 7.8%, 1 January 2011: 4.5% to 7.8%) were applied in determining the recoverable amount of the unit. The discount rates were estimated based on the Group's existing rates of borrowings.

The values assigned to the key assumptions represent management's assessment of future trends in the industry.

Impairment loss recognised

During the financial year, an impairment loss amounted to RM2,417,714 was recognised to write down the carrying amount of goodwill attributable to shipping division which is classified as disposal group held for sale.

During the previous financial year, an impairment loss amounted to RM34,746,845 (1 January 2011: Nil) was recognised to write down the carrying amount of goodwill attributable to construction division and others. This was as a result of recurring loss generated by the subsidiary companies which result in the subsidiary companies having capital deficiency and net current liabilities.

9. **PROPERTY, PLANT AND EQUIPMENT**

	← Valuation →		←				Cost			→
	Freehold land and buildings RM	Leasehold land RM	Leasehold buildings RM	Oil tankers and launch boat RM	Dry-docking expenditure RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Renovation RM	Computer equipment and software RM	Motor vehicles RM	Total RM
Group											
Cost or valuation											
At 1 January 2011	10,511,700	1,194,870	3,992,959	721,415,681	7,220,443	6,901,320	2,036,965	235,504	1,137,675	3,490,194	758,137,311
Additions	-	-	-	3,393,544	1,704,476	-	30,707	-	-	-	5,128,727
Disposals	(10,511,700)	-	-	(33,037,420)	(2,214,079)	-	-	-	-	(1,650,406)	(47,413,605)
Written off	-	-	-	-	-	(6,901,320)	-	-	-	(177,304)	(7,078,624)
At 31 December 2011	-	1,194,870	3,992,959	691,771,805	6,710,840	-	2,067,672	235,504	1,137,675	1,662,484	708,773,809
Additions	-	-	-	17,347	6,345,501	-	37,094	-	-	318,771	6,718,713
Disposals	-	-	-	(33,784,637)	(1,378,545)	-	-	-	-	(552,766)	(35,715,948)
Written off	-	-	-	-	(3,186,698)	-	(1,048,694)	(152,394)	(760,870)	-	(5,148,656)
Transferred to disposal group classified as held for sale	-	(1,194,870)	(3,027,275)	(658,004,515)	(8,491,098)	-	(852,261)	(62,180)	-	(670,453)	(672,302,652)
At 31 December 2012	-	-	965,684	-	-	-	203,811	20,930	376,805	758,036	2,325,266
Representing:-											
At cost	-	-	965,684	-	-	-	203,811	20,930	376,805	758,036	2,325,266
At valuation	-	-	-	-	-	-	-	-	-	-	-
	-	-	965,684	-	-	-	203,811	20,930	376,805	758,036	2,325,266
Accumulated depreciation and impairment loss											
At 1 January 2011	576,394	118,767	809,690	60,733,131	2,717,311	6,901,135	1,830,507	209,662	1,004,457	2,636,507	77,537,561
Charge for the financial year	-	23,897	137,952	27,358,253	2,292,938	-	107,047	8,926	60,567	213,653	30,203,233
Disposals	(576,394)	-	-	(22,393,376)	(1,435,023)	-	-	-	-	(1,532,729)	(25,937,522)
Written off	-	-	-	-	-	(6,901,135)	-	-	-	(177,291)	(7,078,426)
At 31 December 2011	-	142,664	947,642	65,698,008	3,575,226	-	1,937,554	218,588	1,065,024	1,140,140	74,724,846
Charge for the financial year	-	23,896	137,952	25,120,274	2,906,662	-	63,688	7,214	44,039	203,001	28,506,726
Impairment loss	-	120,065	237,808	66,778,176	678,194	-	8,104	23	-	39,598	67,861,968
Disposals	-	-	-	(4,741,763)	(750,465)	-	-	-	-	(552,761)	(6,044,989)
Written off	-	-	-	-	(3,048,784)	-	(1,027,854)	(145,536)	(760,723)	-	(4,982,897)
Transferred to disposal group classified as held for sale	-	(286,625)	(1,228,357)	(152,854,695)	(3,360,833)	-	(790,961)	(62,002)	-	(370,916)	(158,954,389)
At 31 December 2012	-	-	95,045	-	-	-	190,531	18,287	348,340	459,062	1,111,265
Net carrying amount											
At 1 January 2011	9,935,306	1,076,103	3,183,269	660,682,550	4,503,132	185	206,458	25,842	133,218	853,687	680,599,750
At 31 December 2011	-	1,052,206	3,045,317	626,073,797	3,135,614	-	130,118	16,916	72,651	522,344	634,048,963
At 31 December 2012	-	-	870,639	-	-	-	13,280	2,643	28,465	298,974	1,214,001

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Company		
	2012 RM	2011 RM	1 January 2011 RM
Motor vehicle			
Cost			
At 1 January/31 December	150,600	150,600	150,600
Accumulated depreciation			
At 1 January/31 December	150,599	150,599	150,599
Net carrying amount			
At 31 December	1	1	1

Group

(i) Revaluation of land and buildings

Freehold land and buildings are stated at Directors' valuation based on professional valuations conducted by independent professional valuer Raine & Horne International Zaki + Partners Sdn. Bhd. using the open market value basis conducted in December 2009.

The leasehold land and buildings are stated at Directors' valuation based on professional valuation conducted by independent professional valuer, JS Valuer Property Consultants (Sarawak) Sdn. Bhd., using the open market value basis conducted in December 2009.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2012 RM	2011 RM	1 January 2011 RM
Freehold land and buildings	-	-	5,936,275
Leasehold land and buildings	-	557,202	482,639

(ii) Net carrying amounts of assets pledged as securities for bank borrowings are:

	2012 RM	2011 RM	1 January 2011 RM
Freehold land and buildings	-	-	9,935,306
Leasehold building	686,639	698,900	711,161
Oil tankers	-	626,073,797	660,682,550

9. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Group

(iii) Net carrying amount of motor vehicle which is held in trust by a Director of the Company and a Director of an associate company amounted to RM1 (2011: RM1, 1 January 2011: RM1).

(iv) Net carrying amounts of assets acquired under finance lease are:

	2012 RM	2011 RM	1 January 2011 RM
Motor vehicles	298,973	522,338	853,654
Office equipment	-	8,402	21,002
	298,973	530,740	874,656

(v) Depreciation amounting to RM28,026,936 (2011: RM29,651,191, 1 January 2011: RM26,791,893) has been charged to shipping direct cost.

(vi) Included in the cost of oil tankers under construction in progress are interest capitalised of Nil (2011: Nil, 1 January 2011: RM5,209,766) and staff cost capitalised of Nil (2011: Nil, 1 January 2011: RM843,897).

(vii) The titles of two leasehold buildings of the Group with net carrying amount of RM184,000 (2011: RM188,600, 1 January 2011: RM193,200) has yet to be issued by the relevant authorities.

Company

Net carrying amount of motor vehicle acquired under hire purchase arrangement amounted to Nil (2011: Nil, 1 January 2011: RM1)

10. **FIXED DEPOSITS WITH LICENSED BANKS**

Group

Fixed deposits of Nil (2011: RM2,103,030, 1 January 2011: RM5,029,604) have been pledged to licensed banks for banking facilities granted to a subsidiary company.

11. DEVELOPMENT EXPENDITURE

	Group		
	2012 RM	2011 RM	1 January 2011 RM
At 1 January	-	211,170	211,170
Less: written off	-	(211,170)	-
At 31 December	-	-	211,170

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Deferred tax assets			
At 1 January	-	13,149,783	13,149,783
Transferred to statements of comprehensive income	-	(13,149,783)	-
At 31 December	-	-	13,149,783
Deferred tax liabilities			
At 1 January	(656,816)	(1,210,330)	(1,219,048)
Transferred to statements of comprehensive income	19,387	553,514	8,718
Transferred to disposal group classified as held for sale	637,429	-	-
At 31 December	-	(656,816)	(1,210,330)

The components of deferred tax assets and liabilities are as follows:-

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Deferred tax assets			
Unutilised tax losses	-	-	12,664,393
Unabsorbed capital allowances	-	-	485,390
	-	-	13,149,783

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components of deferred tax assets and liabilities are as follows (cont'd):-

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Deferred tax liabilities			
Tax effects of the excess of property, plant and equipment's carrying amount over their tax base	-	-	(111,583)
Revaluation surplus	-	(656,816)	(1,098,747)
	-	(656,816)	(1,210,330)

13. INVENTORIES

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Consumables	6,060,594	2,200,669	539,233
Petrol, oil and lubricants on board	7,113,374	3,898,750	2,897,175
	13,173,968	6,099,419	3,436,408
Transferred to disposal group classified as held for sale	(13,173,968)	-	-
	-	6,099,419	3,436,408

14. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Aggregate costs incurred to date	-	73,170,065	678,880,367
Less: Attributable loss	-	(20,746,024)	(3,895,537)
	-	52,424,041	674,984,830
Less: Progress billings	-	(47,668,331)	(667,968,037)
	-	4,755,710	7,016,793

14. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS (CONT'D)

	Group		
	2012	2011	1 January 2011
	RM	RM	RM
Amount due from customers on contracts	-	4,755,710	10,381,205
Amount due to customers on contracts	-	-	(3,364,412)
	-	4,755,710	7,016,793

Additions to aggregate costs incurred during the financial year include:

	Group		
	2012	2011	1 January 2011
	RM	RM	RM
Interest expenses	-	43,458	533,788
Staff costs (Note 29)	25,853	554,561	3,481,320

15. TRADE RECEIVABLES

	Group		
	2012	2011	1 January 2011
	RM	RM	RM
Trade receivables	86,474,894	93,326,165	132,687,259
Retention sum	201,785	201,785	587,123
Transferred to disposal group classified as held for sale	(15,687,853)	-	-
	70,988,826	93,527,950	133,274,382
Less: Impairment losses			
At 1 January	(70,988,826)	(66,064,935)	(57,511,330)
Impairment loss recognised	-	(6,543,773)	(8,882,939)
Impairment loss reversed	-	1,619,882	329,334
At 31 December	(70,988,826)	(70,988,826)	(66,064,935)
	-	22,539,124	67,209,447

The normal trade credit terms granted by the Group to the trade receivables are ranging from 30 to 90 days (2011 and 1 January 2011: 30 to 90 days).

16. OTHER RECEIVABLES

	Group 2012 RM	Group 2011 RM	Group 1 January 2011 RM
Other receivables, deposits and prepayments	13,082,150	18,917,660	15,266,401
Transferred to disposal group classified as held for sale	(3,217,038)	-	-
	9,865,112	18,917,660	15,266,401
Less: Impairment losses			
At 1 January	(9,626,023)	(5,994,367)	(3,663,794)
Impairment loss recognised	-	(3,631,656)	(2,330,573)
At 31 December	(9,626,023)	(9,626,023)	(5,994,367)
	239,089	9,291,637	9,272,034

	Company 2012 RM	Company 2011 RM	Company 1 January 2011 RM
Other receivables, deposits and prepayments	7,820,615	7,826,495	7,904,273
Less: Impairment losses			
At 1 January	(7,818,147)	(4,309,414)	(2,261,111)
Impairment loss recognised	-	(3,508,733)	(2,048,303)
At 31 December	(7,818,147)	(7,818,147)	(4,309,414)
	2,468	8,348	3,594,859

17. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES

	Company 2012 RM	Company 2011 RM	Company 1 January 2011 RM
Amount due from subsidiary companies	63,114,426	63,796,844	55,036,579
Less: Impairment losses			
At 1 January	(50,072,986)	-	-
Impairment loss recognised	(15,947)	(50,072,986)	-
Impairment loss reversed	694,592	-	-
At 31 December	(49,394,341)	(50,072,986)	-
	13,720,085	13,723,858	55,036,579
Amount due to a subsidiary company	582,151	582,151	-

17. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES (CONT'D)

The amounts due from/to subsidiary companies are non-trade in nature, unsecured, interest free and repayable on demand.

18. AMOUNTS DUE FROM/TO ASSOCIATE COMPANIES

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Amount due from associate companies	1,835,751	1,835,751	2,120,659
Less: Impairment losses			
At 1 January	(1,829,706)	(2,116,206)	(2,116,206)
Impairment loss recognised	(4,427)	-	-
Impairment loss reversed	-	286,500	-
At 31 December	(1,834,133)	(1,829,706)	(2,116,206)
	1,618	6,045	4,453
Amount due to associate companies	523	523	183,223

	Company		
	2012 RM	2011 RM	1 January 2011 RM
Amount due from associate companies	1,618	1,618	4,453

The amounts due from/to associate companies are non-trade in nature, unsecured, interest free and repayable on demand.

19 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

2012

On 21 December 2012, the Company entered into a sale and purchase agreement with third parties for the disposal of its subsidiary company relating to 64,496,272 shares comprising 51% of all the issued and paid up ordinary shares of Semua International Sdn. Bhd. ("SISB") for a total sales consideration of RM 18,800,000, comprising its entire shipping division. The disposal is part of the proposed restructuring schemes as part of a debts settlement with the CLO bondholders. The disposal of the subsidiary company is expected to be completed in May 2013.

19. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

2012 (cont'd)

As at 31 December 2012, the assets and liabilities of SISB Group have been presented on the consolidated statement of financial position as disposal group classified as held for sale. The carrying amount of the investment in SISB has also been presented as a non-current asset held for sale on the Company's statement of financial position as at 31 December 2012.

Group

Statements of Financial Position

The major classes of assets and liabilities of SISB Group classified as held for sale as at 31 December 2012 are as follows:

	RM
Assets :	
Property, plant and equipment	513,348,263
Inventories	13,173,968
Trade receivables	15,687,853
Other receivables	3,217,038
Tax recoverable	5,107
Fixed deposits with licensed banks	6,938
Cash and bank balances	3,679,390
Assets of disposal group classified as held for sale	549,118,557
Liabilities :	
Redeemable Convertible Preference Shares *	(73,392,000)
Term loans	(299,489,272)
Bank overdraft	(18,747,084)
Finance lease payables	(337,093)
Trade payables	(17,282,726)
Other payables	(49,913,300)
Deferred tax liabilities	(637,429)
Liabilities of disposal group classified as held for sale	(459,798,904)
Net assets associated with disposal group classified as held for sale	89,319,653
Less: Non- controlling interests	(70,519,653)
	18,800,000

* During the financial year, SISB issued 1,000,000 redeemable convertible preference shares of RM0.01 each at RM10 per share for a total consideration of RM10,000,000.

19. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

2012 (cont'd)

Group (cont'd)

Statements of Financial Position (cont'd)

* The salient features of the RCPS are as follows :

(i) The shares were issued at RM10.00 each and are convertible at the option of SISB's shareholder into ordinary shares on the basis of one ordinary share for every preference share held;
(ii) The RCPS are redeemable at the option of the shareholder for USD24 million from 24th to 30th months after the date of issuance. Any preference shares not converted will be redeemed thereon at a price of USD24 million;
(iii) The preference shares are not entitled for any dividend;
(iv) The RCPS holder does not carry any right to vote at any general meeting of SISB except on resolutions to amend the RCPS holder's rights, to declare dividends to other classes of shares or to commence dissolution of SISB; and
(v) The RCPS do not carry any right to participate in the profits or surplus assets of SISB.

At the end of the financial year, the number of RCPS in issue is 1,000,000 shares.

Statements of Comprehensive Income

The results of SISB Group, which is deemed as "discontinued operation", for the financial years ended 31 December 2012 and 2011 are as follows:-

	2012 RM	2011 RM
Revenue	156,694,033	164,246,231
Cost of sales	(134,322,747)	(97,713,022)
Gross profit	22,371,286	66,533,209
Other income	41,590,771	3,465,514
Expenses	(45,559,844)	(29,053,302)
Profit from operation	18,402,213	40,945,421
Finance cost	(29,272,240)	(26,791,932)
Impairment loss recognised on remeasurement to fair value less costs to sell	(67,861,968)	-
(Loss)/Profit before taxation	(78,731,995)	14,153,489
Tax (expense)/income	(7,118)	35,832
Net (loss)/profit from discontinued operation	(78,739,113)	14,189,321

19. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

2012 (cont'd)

Group (cont'd)

Statements of Cash Flows

Cash flows generated by SISB Group for the financial years ended 31 December 2012 and 2011 are as follows:-

	2012 RM	2011 RM
Cash flows from operating activities	7,792,877	21,164,836
Cash flows from investing activities	7,522,538	5,960,162
Cash flows used in financing activities	(14,828,865)	(31,583,601)
Net increase/(decrease)	486,550	(4,458,603)

Company

The non-current asset classified as held for sale of the Company's statement of financial position as at 31 December 2012 is as follows :

	RM
Asset :	
Investment in a subsidiary company (Note 5)	18,800,000

20. SHARE CAPITAL

	Group and Company Number of shares		
	2012	2011	1 January 2011
Authorised:-			
Ordinary shares of RM0.35 each			
At 1 January/ 31 December	857,142,857	857,142,857	857,142,857
Issued and fully paid:-			
Ordinary shares of RM0.35 each			
At 1 January	214,364,221	160,773,166	160,773,166
Right issue	-	53,591,055	-
At 31 December	214,364,221	214,364,221	160,773,166

20. SHARE CAPITAL (CONT'D)

	Group and Company		
	Amount		
	2012	2011	1 January 2011
	RM	RM	RM
Authorised:-			
Ordinary shares of RM0.35 each			
At 1 January/ 31 December	300,000,000	300,000,000	300,000,000
Issued and fully paid:-			
Ordinary shares of RM0.35 each			
At 1 January	75,027,477	56,270,608	160,773,166
Right issue	-	18,756,869	-
Capital reduction	-	-	(104,502,558)
At 31 December	75,027,477	75,027,477	56,270,608

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

21. OTHER RESERVES

	Group		
	2012	2011	1 January 2011
	RM	RM	RM
Non-distributable:-			
Revaluation reserve	1,286,663	1,342,614	4,631,900
Warrant reserve	15,005,495	15,005,495	-
Capital reserve	17,186,556	17,186,556	17,186,556
	33,478,714	33,534,665	21,818,456

	Company		
	2012	2011	1 January 2011
	RM	RM	RM
Non-distributable:-			
Warrant reserve	15,005,495	15,005,495	-
Capital reserve	17,186,556	17,186,556	17,186,556
	32,192,051	32,192,051	17,186,556

The revaluation reserve represents the surplus on the revaluation of certain land and buildings of the Group.

The capital reserve arose from the capital reduction and was used to offset RM104,502,558 of its accumulated losses at the date when the reduction of share capital become effective.

The remaining credit after off-setting amounting to RM17,186,556 was credited to the capital reserve of the Group and of the Company.

21. OTHER RESERVES (CONT'D)

The warrant reserve arises from the allocation of the proceeds received from the right issue with free detachable warrants. This reserve is determined by reference to the fair value of the warrants amounting to RM15,005,495 immediately upon the listing and quotation of the right issue completed on 10 March 2011.

These reserves are not available for distribution as dividends.

22. TERM LOANS

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Unsecured:-			
Term loan 1	9,301,696	9,301,696	30,877,000
Term loan 2	10,570,260	10,570,260	35,088,000
Term loan 3	4,228,044	4,228,044	14,035,000
	24,100,000	24,100,000	80,000,000
Secured:-			
Term loan 1	21,575,304	21,575,304	-
Term loan 2	24,517,740	24,517,740	-
Term loan 3	9,806,956	9,806,956	-
Term loan 4	-	7,076,135	12,961,756
Term loan 5	26,272,924	27,283,363	31,421,445
Term loan 6	26,556,171	27,909,826	32,036,298
Term loan 7	29,231,883	30,777,283	35,393,109
Term loan 8	33,075,534	34,523,519	39,135,685
Term loan 9	33,660,442	36,530,865	40,930,267
Term loan 10	32,937,351	35,459,172	39,872,365
Term loan 11	3,212,910	4,428,260	5,700,865
Term loan 12	-	-	4,605,589
Term loan 13	-	-	2,117,268
Term loan 14	54,930,800	51,567,757	55,452,505
Term loan 15	56,338,793	54,413,816	57,061,978
Term loan 16	-	-	9,172
Term loan 17	1,636,232	59,982,485	64,969,683
Term loan 18	1,636,232	61,482,732	66,143,622
	379,489,272	511,435,213	567,811,607
Transferred to disposal group classified as held for sale	(299,489,272)	-	-
	80,000,000	511,435,213	567,811,607
Repayable within 12 months (included under short term borrowings in Note 26)	(80,000,000)	(128,396,249)	(66,917,151)
	-	383,038,964	500,894,456

22. TERM LOANS (CONT'D)

	Company		
	2012	2011	1 January 2011
	RM	RM	RM
Unsecured:-			
Term loan 1	9,301,696	9,301,696	30,877,000
Term loan 2	10,570,260	10,570,260	35,088,000
Term loan 3	4,228,044	4,228,044	14,035,000
	24,100,000	24,100,000	80,000,000
Secured:-			
Term loan 1	21,575,304	21,575,304	-
Term loan 2	24,517,740	24,517,740	-
Term loan 3	9,806,956	9,806,956	-
	80,000,000	80,000,000	80,000,000
Repayable within 12 months (included under short term borrowings in Note 26)	(80,000,000)	(80,000,000)	(8,000,000)
	-	-	72,000,000

Group

The term loans granted to the subsidiary companies by the financial institutions are secured by ways of:-

(a) first fixed legal charge over the subsidiary company's leasehold land and buildings;
(b) legal mortgage over the Group's oil tankers;
(c) assignment of contract proceeds and marine insurance of the Group;
(d) corporate guarantee from the Company; and
(e) certain unquoted shares of the Company.

Term loan 4 is repayable over 84 monthly installment of RM487,049 after full disbursement. This loan was fully repaid during the financial year.

During the financial year, the Group rescheduled the repayment terms of the following term loans:-

	Monthly Principal Repayment					
	Term loan 5	Term loan 6	Term loan 7	Term loan 8	Term loan 9	Term loan 10
	RM	RM	RM	RM	RM	RM
2013	250,000	250,000	250,000	250,000	250,000	250,000
2014	300,000	300,000	300,000	300,000	250,000	300,000
2015	300,000	300,000	300,000	300,000	300,000	350,000
2016	375,000	350,000	400,000	350,000	350,000	350,000
2017	400,000	375,000	450,000	400,000	400,000	400,000
2018	400,000	400,000	500,000	450,000	450,000	400,000
2019	400,000	450,000	500,000	450,000	500,000	450,000
2020	-	-	-	500,000	550,000	450,000

22. TERM LOANS (CONT'D)

Group

Term loan 11 is repayable over 60 monthly installment of RM138,774 (2011: RM138,774) upon full release of disbursement.

Term loan 12 is repayable over 60 monthly installment of RM334,162 upon full release of disbursement. This loan was fully repaid in FYE 2011.

Term loan 13 is repayable over 60 monthly installment of RM475,182 upon full release of disbursement. This loan was fully repaid in FYE 2011.

Term loans 14 and 15

The loans have defaulted repayment on term loans of RM14,814,783 on bank borrowings carried at RM111,269,593 at the end of the reporting year. As per facility agreements, the bank is contractually entitled to request for immediate repayment of the outstanding borrowings amounts. However, as at date of authorisation of financial statements, the Company did not receive any request from the bank for immediate repayment of the outstanding loan amount.

Management commences renegotiation of the loan agreement terms in FYE 2012. As of the date the financial statements were authorised for issue, the renegotiation is still in progress.

Term loan 16 is repayable over 120 monthly installment of RM6,054 upon full release of disbursement. This loan was fully repaid in FYE 2011.

Term loan 17 and 18

On 18 December 2012, SISB entered into a Compromise and Settlement and Subscription Agreement ("CSSA") with the lessor, Semua Shipping Sdn. Bhd. and Semua Chemical Shipping Sdn. Bhd., comprising debts restructuring on settlement of the borrowings.

Based on the CSSA, Semua Chemical Shipping Sdn Bhd has novated part of its finance lease liabilities of RM73.4 million to SISB vide a Novation Agreement dated 18 December 2012. The debts amounted to RM73.4 million has been restructured via issuance of 1,000,000 redeemable convertible preference shares ("RCPS") at par value of RM0.01 and premium of RM9.99 each RCPS, at the consideration of RM10,000,000 and remaining being waived.

The remaining minimum lease obligation of RM3.3million is repayable over 24 monthly installments.

The interest rates of the borrowings are ranging from 4.40% to 7.80% (2011 and 1 January 2011: 4.40% to 7.80%) per annum.

22. TERM LOANS (CONT'D)

Group and Company

The Company has obtained approval from the financial institutions to reschedule the repayment of term loan 1, 2 and 3. However, as at the date of authorisation of the financial statements, the Company did not receive any request from the financial institutions for repayment.

Aggregate term loan 1, 2 and 3 amounting to RM55,900,000 are secured by way of shares of a subsidiary company, while the remaining RM24,100,000 are unsecured.

The term loans are obtained at interest rates range between 8.10% and 10.13% (2011: 8.10% and 10.13%, 1 January 2011: 7.10% and 7.50%) per annum.

23. FINANCE LEASE PAYABLES

	Group		
	2012	2011	1 January 2011
	RM	RM	RM
Minimum lease payment			
- within 1 year	195,867	156,399	319,068
- after 1 year but not later than 5 years	571,737	552,063	727,118
- after 5 years	118,807	-	69,631
Transferred to disposal group classified as held for sale	(404,917)	-	-
	481,494	708,462	1,115,817
Future finance charges on finance lease payables	(130,996)	(115,132)	(171,033)
Transferred to disposal group classified as held for sale	67,824	-	-
	418,322	593,330	944,784
Present value of finance lease payables			
- within 1 year (Note 26)	111,795	120,639	266,815
- after 1 year but not later than 5 years	306,527	472,691	611,742
- after 5 years	-	-	66,227
	306,527	472,691	677,969
	418,322	593,330	944,784

23. FINANCE LEASE PAYABLES (CONT'D)

	Company		
	2012	2011	1 January 2011
	RM	RM	RM
Minimum lease payment			
- within 1 year	-	-	21,365
Future finance charges on finance lease payables	-	-	(552)
	-	-	20,813
Present value of finance lease payables			
- within 1 year (Note 26)	-	-	20,813

The interest rates range from 2.51% to 5.00% per annum (2011 and 1 January 2011: 3.25% to 6.90%).

24. OTHER PAYABLES AND ACCRUALS

	Group		
	2012	2011	1 January 2011
	RM	RM	RM
Amount due to Directors	319,300	220,000	420,000
Other payables and accruals	96,991,831	70,522,335	65,119,046
Provision for liquidated ascertained damages	609,137	609,137	3,587,804
Transferred to disposal group classified as held for sale	(49,913,300)	-	-
	48,006,968	71,351,472	69,126,850
Less: Due after 12 months	-	-	(7,000,000)
	48,006,968	71,351,472	62,126,850

	Company		
	2012	2011	1 January 2011
	RM	RM	RM
Other payables and accruals	27,697,677	17,262,289	13,851,095

24. OTHER PAYABLES AND ACCRUALS (CONT'D)

The non-trade amount due to Directors is unsecured, interest free and repayable on demand.

In the previous financial year, included in the Group's other payables are amounts of RM32,382,377 (1 January 2011: RM7,000,000) due to three (1 January 2011: one) corporations, which are related to a subsidiary company's non-controlling shareholder. Except for the amount of RM11,000,000 (1 January 2011: RM7,000,000) which is interest free, the remaining balances bear interest rate of 8.00% (1 January 2011: Nil) per annum. The amount is repayable on demand.

Included in the Group's and the Company's other payables is an amount of RM4,450,541 (2011: RM4,450,541, 1 January 2011: RM10,200,000) due to a corporate shareholder in which certain Directors of the Company have interest. This amount is unsecured, interest free and repayable on demand.

Included in the Group's other payables is an amount of RM 4,435,226 (2011: Nil, 1 January 2011: Nil) due to a financial institution for bank guarantee paid to a 3rd party. The amount is unsecured, bears an interest rate of 8.00% per annum and repayable on demand.

25. TRADE PAYABLES

Group

The normal trade credit terms granted by the trade payables are ranging from 30 to 90 days (2011 and 1 January 2011: 30 to 90 days).

26. SHORT-TERM BORROWINGS

	Group		
	2012	2011	1 January 2011
	RM	RM	RM
Unsecured:-			
Term loans (Note 22)	24,100,000	24,100,000	8,000,000
Secured:-			
Bank overdrafts	18,747,084	16,000,203	12,546,908
Finance lease payables (Note 23)	111,795	120,639	266,815
Term loans (Note 22)	55,900,000	104,296,249	58,917,151
Bankers' acceptance	-	-	1,829,126
Revolving credits	1,819,976	3,488,743	5,135,285
Transferred to disposal group classified as held for sale	(18,747,084)	-	-
	81,931,771	148,005,834	86,695,285

26. SHORT-TERM BORROWINGS (CONT'D)

	Company		
	2012 RM	2011 RM	1 January 2011 RM
Unsecured:-			
Term loans (Note 22)	24,100,000	24,100,000	8,000,000
Secured:-			
Finance lease payables (Note 23)	-	-	20,813
Term loans (Note 22)	55,900,000	55,900,000	-
	80,000,000	80,000,000	8,020,813

The short-term borrowings of the Group are secured against first fixed legal charge over the Group's landed properties, oil tankers, assignment of contract payment proceeds, pledge of fixed deposits and corporate guarantee from the Company.

The short-term borrowing of the Company are secured against the 64,496,272 shares comprising 51% of all the issued and paid up ordinary shares of Semua International Sdn. Bhd..

Interest rates range from 3.40% to 8.60% (2011: 3.00% to 10.13%, 1 January 2011: 3.00% to 8.00%) per annum.

27. REVENUE

	Group	
	2012 RM	2011 RM
Continuing operations		
- Construction income	1,543,362	10,771,005
Discontinued operation		
- Shipping income (Note 19)	156,694,033	164,246,231
	158,237,395	175,017,236

28. COST OF SALES

	Group	
	2012 RM	2011 RM
Continuing operations		
- Construction cost	9,496,952	16,864,678
Discontinued operation		
- Shipping direct cost (Note 19)	134,322,747	97,713,022
	143,819,699	114,577,700

29. STAFF COSTS

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Staff costs (including Directors' remuneration)				
Continuing operations:-				
- charged to statements of comprehensive income	2,999,838	4,311,689	971,243	970,198
- included in contract costs (Note 14)	25,853	554,561	-	-
Discontinued operation:-				
- charged to statements of comprehensive income	23,661,861	21,453,579	-	-
	26,687,552	26,319,829	971,243	970,198

Included in the above are Directors' remuneration of the Group and of the Company amounting to RM2,093,921 (2011: RM2,362,711) and Nil (2011: RM736,140) as disclosed in Note 31 to the Financial Statements.

30. FINANCE COSTS

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Continuing operations:-				
Bank overdrafts	-	5,426	-	-
Finance lease liabilities	31,886	45,665	-	552
Other charges	3,751	14,960	756	281
Overdue interest	1,023,679	2,271,282	-	-
Term loans	9,109,030	9,724,095	9,109,030	9,724,095
	10,168,346	12,061,428	9,109,786	9,724,928
Discontinued operation:-				
Bank overdrafts	99,852	102,735	-	-
Finance lease liabilities	16,647	5,227	-	-
Overdue interest	3,751,489	1,073,217	-	-
Term loans	25,404,252	25,610,753	-	-
	29,272,240	26,791,932	-	-
Total finance costs	39,440,586	38,853,360	9,109,786	9,724,928

31. LOSS BEFORE TAXATION

Loss before taxation has been determined after charging/crediting amongst other items the following:-

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Charging:-				
Auditors' remuneration	165,000	154,500	30,000	25,000
- continuing operations	75,000	74,500	30,000	25,000
- discontinued operation	90,000	80,000	-	-
Other fees charged by auditors	-	60,000	-	60,000
Bad debts written off	1,247,724	2,601,314	-	20,222
- continuing operations	-	2,601,314	-	20,222
- discontinued operation	1,247,724	-	-	-
Depreciation	28,506,726	30,203,233	-	-
- continuing operations	214,559	316,568	-	-
- discontinued operation	28,292,167	29,886,665	-	-
Development expenditure written off	-	211,170	-	-
Impairment loss on receivables	-	10,175,429	-	3,508,733
Impairment loss on investment in subsidiary companies	-	-	-	95,333,006
Impairment loss on amount due from subsidiary companies	-	-	15,947	50,072,986
Impairment loss on amount due from associate companies	4,427	-	-	-
Impairment loss on goodwill	-	34,746,845	-	-
Impairment loss on disposal group/non-current asset classified as held for sale				
- investment in a subsidiary company	-	-	45,696,272	-
- goodwill	2,417,714	-	-	-
- property, plant and equipment	67,861,968	-	-	-
Investment in subsidiary companies written off	-	-	2	65
Loss/(Gain) on disposal of property, plant and equipment	15,630,726	-	-	-
- continuing operations	(87,073)	-	-	-
- discontinued operation	15,717,799	-	-	-
Property, plant and equipment written off	165,759	198	-	-
- continuing operations	27,845	198	-	-
- discontinued operation	137,914	-	-	-
Rental of motor vehicles	-	330	-	-

31. LOSS BEFORE TAXATION (CONT'D)

Loss before taxation has been determined after charging/crediting amongst other items the following (cont'd):-

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Charging (cont'd):-				
Rental of premises	252,050	238,269	-	-
- continuing operations	196,000	152,996	-	-
- discontinued operation	56,050	85,273	-	-
Rental of office equipment	-	9,453	-	-
Unrealised loss on foreign exchange:				
- discontinued operation	-	953,547	-	-
Crediting:-				
Gain/(Loss) on disposal of property, plant and equipment	-	2,086,808	-	-
- continuing operations	-	2,421,017	-	-
- discontinued operation	-	(334,209)	-	-
Gain on foreign exchange:				
- realised				
: discontinued operation	3,433,417	208,419	-	-
- unrealised				
: discontinued operation	11,964	-	-	-
Reversal of impairment loss on investment in a subsidiary company	-	-	2	-
Reversal of impairment loss on receivables	-	1,619,882	-	-
Reversal of impairment loss on amount due from subsidiary companies	-	-	694,592	-
Reversal of impairment loss on amount due from an associate company	-	286,500	-	-
Reversal of provision for liquidated damages	-	2,978,667	-	-
Gain from subsidiary companies written off	90,363	-	-	-
Saving arising from debts restructuring				
- discontinued operation	37,005,066	-	-	-
Waiver of non-trade debts	-	272,120	-	-
Interest income	114,690	1,680	-	-
Rental income	-	161,150	-	-

31. LOSS BEFORE TAXATION (CONT'D)

The details of remuneration received/receivable by Directors of the Group and of the Company are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Executive:-				
Salaries and allowances	1,868,500	2,190,378	-	736,140
Defined contribution plan	225,421	172,333	-	-
	2,093,921	2,362,711	-	736,140
Fees	54,779	77,000	24,000	24,000
	2,148,700	2,439,711	24,000	760,140
Non Executive:-				
Fees	83,000	108,000	83,000	108,000

32. TAX EXPENSES

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Under provision of current tax in prior years	1,147,595	101,056	-	101,056
Reversal of temporary differences	-	12,684,275	-	-
Income tax attributable to continuing operations	1,147,595	12,785,331	-	101,056
Income tax attributable to discontinued operation:				
- current tax	26,505	52,174	-	-
- deferred tax	(19,387)	(88,006)	-	-
	1,154,713	12,749,499	-	101,056

There was no provision for taxation for the current year for the Group and the Company and a reconciliation of the statutory income tax rate to the effective income tax rate of the Group and of the Company has not been presented as the Group and the Company have no chargeable income.

32. **TAX EXPENSES (CONT'D)**

The tax effect of timing differences that would give rise to future tax benefits are generally recognised only where there is reasonable expectation of realisation. As at reporting date, the Group has deferred tax assets not recognised in the financial statements as follows:-.

	Group	
	2012	2011
	RM	RM
Continuing operations:		
Unabsorbed tax losses	143,694,000	131,930,000
Unutilised capital allowances	431,000	431,000
	144,125,000	132,361,000
Discontinued operation:		
Unabsorbed tax losses	70,608,000	60,494,000
Unutilised capital allowances	293,079,500	272,675,000
	363,687,500	333,169,000
Total	507,812,500	465,530,000

The potential deferred tax assets in respect of unabsorbed tax losses and unutilised capital allowances have not been recognised as it is anticipated that the tax effects of such benefits will not be reversed in the near foreseeable future.

However, the above amounts are subject to the approval of Inland Revenue Board of Malaysia.

33. **(LOSSES)/EARNINGS PER SHARE**

Group

Basic (losses)/earnings per share

Basic (losses)/earnings per ordinary share is calculated by dividing net loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

(Losses)/Profit attributable to ordinary shares:

	2012	2011
	RM	RM
Losses from continuing operations attributable to ordinary equity holders of the Company	(94,187,547)	(80,868,454)
(Losses)/Profit from discontinued operation attributable to ordinary equity holders of the Company	(5,547,344)	7,236,554
Losses attributable to ordinary equity holders of the Company	(99,734,891)	(73,631,900)

33. (LOSSES)/EARNINGS PER SHARE (CONT'D)

Group (cont'd)

Basic (losses)/earnings per share (cont'd)

Weighted average number of ordinary shares in issue:

	2012 No. of shares	2011 No. of shares
Ordinary shares issued as at 1 January	214,364,221	160,773,166
Weighted average ordinary shares issued during the financial year	-	44,341,092
Weighted average number of ordinary shares as at 31 December	214,364,221	205,114,258

Basic (losses)/earnings per share:

	2012 Sen	2011 Sen
From continuing operations	(43.94)	(39.43)
From discontinued operation	(2.59)	3.53
	(46.53)	(35.90)

Diluted losses per share

No diluted losses per share is presented as the effect is anti-dilutive.

34. RELATED PARTY DISCLOSURES

(a) The key management personnels compensation is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Directors' remuneration:				
Short term employees benefits	1,868,500	2,190,378	-	736,140
Post-employment benefits	225,421	172,333	-	-
	2,093,921	2,362,711	-	736,140
Other key management personnel:				
Short term employee benefits	807,695	-	807,695	-
	2,901,616	2,362,711	807,695	736,140

34. RELATED PARTY DISCLOSURES (CONT'D)

(a) (Cont'd)

Other key management personnel comprises person other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

(b) The amounts due from and to subsidiary companies and associate companies are non-trade in nature. The details of the terms and conditions and the interest bearing of such amounts are disclosed in Note 17 and 18 to the Financial Statements respectively.

35. CONTINGENT LIABILITIES

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Unsecured:-				
Corporate guarantee granted to subsidiary companies	-	-	299,489,272	431,435,213
Corporate guarantee granted to a former subsidiary company	750,000	750,000	750,000	750,000
Being claims from third parties in dispute (#)	-	1,126,346	-	-
Liquidated ascertained damages (*)	12,342,025	12,342,025	-	-
	13,092,025	14,218,371	300,239,272	432,185,213

\# The abovementioned claims have been handled by the Group's solicitors and based on the facts and merits of the abovementioned suits, it is the Directors' opinion that the Group has sufficient grounds to resist the plaintiff's claims.

* The Board of Directors are of the opinion that the likelihood of the crystalisation of the above obligations probably will not require any outflow of resources and thus no provision is required.

36. OPERATING SEGMENT

Business segments

For the management purposes, the Group is organised into business units based on their products and services, which comprises the following:

i. Engineering and construction	:	Engineering, procurement, construction and commissioning
ii. Shipping (Discontinued)	:	Shipping chartering services
iii. Others	:	Investments holding

36. OPERATING SEGMENT (CONT'D)

Business segments (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Group

	Note	Engineering and construction RM	Shipping (Discontinued) RM	Others RM	Adjustments and elimination RM	Total as per consolidated financial statements RM
2012						
Revenue						
External revenue	(i)	1,543,362	156,694,033	-	-	158,237,395
Inter-segment revenue		-	-	-	-	-
		1,543,362	156,694,033	-	-	158,237,395
Results						
Interest income		114,690	-	-	-	114,690
Finance cost		(1,058,560)	(29,272,240)	(9,109,786)	-	(39,440,586)
Depreciation and amortisation		(214,559)	(28,292,167)	-	-	(28,506,726)
Tax expense		(1,147,595)	(7,118)	-	-	(1,154,713)
Other non-cash expenses	(ii)	(46,387)	(47,948,375)	(2,394,099)	167,936	(50,220,925)
Segment (loss)/profit	(iii)	(11,193,740)	18,402,213	(96,498,666)	24,323,099	(64,967,094)
Assets						
Additions to non-current assets	(iv)	5,096	6,713,617	-	-	6,718,713

36. OPERATING SEGMENT (CONT'D)

Business segments (cont'd)

Group (cont'd)

	Note	Engineering and construction RM	Shipping (Discontinued) RM	Others RM	Adjustments and elimination RM	Total as per consolidated financial statements RM
2011						
Revenue						
External revenue	(i)	10,771,005	164,246,231	-	-	175,017,236
Inter-segment revenue		3,202,809	120,000	-	(3,322,809)	-
		13,973,814	164,366,231	-	(3,322,809)	175,017,236
Results						
Interest income		1,680	-	-	-	1,680
Finance cost		(2,336,500)	(26,791,932)	(9,724,928)	-	(38,853,360)
Depreciation and amortisation		(316,568)	(29,886,665)	-	-	(30,203,233)
Tax expense		(12,684,275)	35,832	(101,056)	-	(12,749,499)
Other non-cash expenses	(ii)	(6,792,074)	(1,287,756)	(150,318,038)	113,430,435	(44,967,433)
Segment (loss)/profit	(iii)	(16,282,542)	40,945,421	(153,174,549)	113,430,496	(15,081,174)
Assets						
Additions to non-current assets	(iv)	-	5,128,727	-	-	5,128,727

Segment assets/liabilities

Segment assets/liabilities information is not presented to the Board of Directors and hence, no disclosure is made on the segment asset/liabilities.

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

i. Inter-segment revenues are eliminated on consolidation.

36. **OPERATING SEGMENT (CONT'D)**

Business segments (cont'd)

Group (cont'd)

Segment assets/liabilities (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):

ii. Other material non-cash expenses consist of the following items :

	Group	
	2012	2011
	RM	RM
Impairment loss on receivables	-	10,175,429
Development expenditure written off	-	211,170
Bad debts written off	1,247,724	2,601,314
Impairment loss on goodwill	-	34,746,845
Impairment loss on amount due from associate companies	4,427	-
Impairment loss on disposal group classified as held for sale		
- goodwill	2,417,714	-
- property, plant and equipment	67,861,968	-
Property, plant and equipment written off	165,759	198
Loss/(Gain) on disposal of property, plant and equipment	15,630,726	(2,086,808)
Reversal of impairment loss on receivables	-	(1,619,882)
Reversal of impairment loss on amount due from an associate company	-	(286,500)
Waiver of non-trade debts	-	272,120
Gain from subsidiary companies written off	(90,363)	-
Saving arising from debts restructuring	(37,005,066)	-
Unrealised (gain)/loss on foreign exchange	(11,964)	953,547
	50,220,925	44,967,433

iii. The following items are added to/(deducted from) segment loss to arrive at "Net loss for the year" presented in the consolidated statements of comprehensive income:

	Group	
	2012	2011
	RM	RM
Segment loss	(64,967,094)	(15,081,174)
Interest income	114,690	1,680
Finance costs	(39,440,586)	(38,853,360)
Taxation	(1,154,713)	(12,749,499)
	(105,447,703)	(66,682,353)

36. OPERATING SEGMENT (CONT'D)

Business segments (cont'd)

Group (cont'd)

Segment assets/liabilities (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):

iv. Additions to non-current assets consist of:

	Group	
	2012	2011
	RM	RM
Property, plant and equipment	6,718,713	5,128,727

Geographical information

The Group's revenue and non-current assets information based on geographical location are as follows:-

	Revenue		Non-current assets	
	2012	2011	2012	2011
	RM	RM	RM	RM
Malaysia *	149,744,427	148,549,508	1,214,034	638,569,740
Singapore	8,492,968	26,467,728	-	-
	158,237,395	175,017,236	1,214,034	638,569,740

* Company's home country

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position:

	2012	2011
	RM	RM
Property, plant and equipment	1,214,001	634,048,963
Goodwill on consolidation	-	2,417,714
Other investments	33	33
Fixed deposits with licensed bank	-	2,103,030
	1,214,034	638,569,740

36. OPERATING SEGMENT (CONT'D)

Information about major customers

The following are major customers with revenue equal or more than 10% of the Group's revenue:-

	Revenue		Segment
	2012	2011	
	RM	RM	
Nil major customer (2011: Nil)	-	-	Engineering and construction
2 major customers (2011: 2)	132,696,457	161,795,366	Shipping

37. MATERIAL LITIGATIONS

The Company and its wholly-owned subsidiary company, Sumatec Corporation Sdn. Bhd. (collectively known as "Applicants") have made an application for a restraining order under Section 176 (10) of the Companies Act, 1965 ("the Act") on 20 June 2011.

On 22 June 2011, the High Court of Malaya at Kuala Lumpur granted an order to the Applicants to hold a creditors meeting within 9 months from the date of order. The High Court also granted an interim Restraining Order ("Restraining Order") pursuant to Section 176 (10) of the Act, to restrain all further proceedings and actions against the Applicants until 25 July 2011.

On 16 August 2011, the High Court granted the Applicants the Restraining Order (RO), restraining all proceedings by scheme creditors against the Applicants for a period of 90 days. The RO is extended for another 60 days from the expiry of the RO on 14 November 2011 to 14 January 2012. This is further extended until 14 July 2013.

Save as disclosed below, the Group is not engaged in any litigations, claims or arbitration, either as plaintiff or defendant, which has or will have material effect on the financial position of the Group, and the Directors are not aware of any proceedings, pending or threatened, against the Company and/or any of the Company's subsidiary companies or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Group:

Foster Insulation Sdn Bhd ("FISB") vs Sumatec Corporation Sdn Bhd ("SCSB")

FISB is claiming for a sum of money for services rendered. The claim is for RM2,210,781.14. A sum of RM1,020,582.70 as damages plus interest of 8% on that sum from 18 October 2011 to date of full settlement plus costs of RM74,250 has been awarded to FISB. Both FISB and SCSB had reached an amicable settlement arrangement whereby SCSB was to pay the amount by way of installments. SCSB was not able to pay the balance after having paid the first installment. As a result, FISB has commenced winding up proceedings. The next mention date is on 15 July 2013.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Loans and receivables (L&R);
- Available-for-sale financial assets (AFS); and
- Other liabilities measured at amortised cost (AC).

Group

	Carrying amount RM	L&R RM	AFS RM	AC RM
2012				
Financial assets				
Other investment (Note 7)	33	-	33	-
Other receivables (Note 16)	239,089	239,089	-	-
Amount due from associate companies (Note 18)	1,618	1,618	-	-
Cash and bank balances	70,866	70,866	-	-
	311,606	311,573	33	-
Financial liabilities				
Finance lease payables (Note 23)	418,322	-	-	418,322
Borrowings (Note 26)	81,819,976	-	-	81,819,976
Trade and other payables (Note 25 and 24)	76,748,067	-	-	76,748,067
Amount due to associate companies (Note 18)	523	-	-	523
	158,986,888	-	-	158,986,888
2011				
Financial assets				
Other investment (Note 7)	33	-	33	-
Trade and Other receivables (Note 15 and 16)	31,830,761	31,830,761	-	-
Amount due from associate companies (Note 18)	6,045	6,045	-	-
Fixed deposits with licensed banks (Note 10)	2,109,786	2,109,786	-	-
Cash and bank balances	1,466,749	1,466,749	-	-
	35,413,374	35,413,341	33	-

38. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):

Group (cont'd)

	Carrying amount RM	L&R RM	AFS RM	AC RM
2011 (cont'd)				
Financial liabilities				
Finance lease payables (Note 23)	593,330	-	-	593,330
Borrowings (Note 22 and 26)	530,924,159	-	-	530,924,159
Trade and other payables (Note 25 and 24)	114,426,792	-	-	114,426,792
Amount due to associate companies (Note 18)	523	-	-	523
	645,944,804	-	-	645,944,804
1 January 2011				
Financial assets				
Other investment (Note 7)	33	-	33	-
Trade and other receivables (Note 15 and 16)	76,481,481	76,481,481	-	-
Amount due from associate companies (Note 18)	4,453	4,453	-	-
Fixed deposits with licensed banks (Note 10)	5,036,360	5,036,360	-	-
Cash and bank balances	482,307	482,307	-	-
	82,004,634	82,004,601	33	-
Financial liabilities				
Finance lease payables (Note 23)	944,784	-	-	944,784
Borrowings (Note 22 and 26)	587,322,926	-	-	587,322,926
Trade and other payables (Note 25 and 24)	142,811,861	-	-	142,811,861
Amount due to associate companies (Note 18)	183,223	-	-	183,223
	737,262,794	-	-	737,262,794

38. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):

Company

	Carrying amount RM	L&R RM	AFS RM	AC RM
2012				
Financial assets				
Other receivables (Note 16)	2,468	2,468	-	-
Amount due from subsidiary companies (Note 17)	13,720,085	13,720,085	-	-
Amount due from associate companies (Note 18)	1,618	1,618	-	-
Cash and bank balances	5,434	5,434	-	-
	13,729,605	13,729,605	-	-
Financial liabilities				
Other payables (Note 24)	27,697,677	-	-	27,697,677
Amount due to subsidiary companies (Note 17)	582,151	-	-	582,151
Borrowings (Note 26)	80,000,000	-	-	80,000,000
	108,279,828	-	-	108,279,828
2011				
Financial assets				
Other receivables (Note 16)	8,348	8,348	-	-
Amount due from subsidiary companies (Note 17)	13,723,858	13,723,858	-	-
Amount due from associate companies (Note 18)	1,618	1,618	-	-
Cash and bank balances	4,260	4,260	-	-
	13,738,084	13,738,084	-	-
Financial liabilities				
Other payables (Note 24)	17,262,289	-	-	17,262,289
Amount due to subsidiary companies (Note 17)	582,151	-	-	582,151
Borrowings (Note 26)	80,000,000	-	-	80,000,000
	97,844,440	-	-	97,844,440

38. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):

Company (cont'd)

	Carrying amount RM	L&R RM	AFS RM	AC RM
1 January 2011				
Financial assets				
Other receivables (Note 16)	3,594,859	3,594,859	-	-
Amount due from subsidiary companies (Note 17)	55,036,579	55,036,579	-	-
Amount due from associate companies (Note 18)	4,453	4,453	-	-
Cash and bank balances	3,058	3,058	-	-
	58,638,949	58,638,949	-	-
Financial liabilities				
Other payables (Note 24)	13,851,095	-	-	13,851,095
Borrowings (Note 22 and 26)	80,020,813	-	-	80,020,813
	93,871,908	-	-	93,871,908

Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group, the Company and the policies in respect of the major areas of treasury activity are set out as follows:

(a) Credit risk

Credit risk is the risk of a financial loss to the Group or the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's or the Company's exposure to credit risk arises primarily from receivables. It is the Group's and the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of its financial assets or other financial instruments.

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(a) Credit risk (cont'd)

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company provide services only to recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's or the Company's exposure to bad debts is not significant.

Following are the areas where the Group and the Company are exposed to credit risk:

i. Receivables

With a credit policy in place to ensure the credit risk is monitored on an on-going basis, management has taken reasonable steps to ensure that receivables that are past due but not impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

Trade receivables that are past due but not impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade-receivables that are past due but not impaired have been renegotiated during the financial year.

In the previous financial year, the Group has trade receivables amounting to RM13,291,310 (1 January 2011: RM40,427,222) that are past due at the reporting date but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of the Group's trade receivables are as follows:-

	Gross RM	Individually impaired RM	Net RM
Group			
2012			
Not past due	-	-	-
Past due 0 - 30 days	-	-	-
Past due 31 - 60 days	-	-	-
Past due more than 61 days	-	-	-
	-	-	-

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

i. Receivables (cont'd)

The ageing analysis of the Group's trade receivables are as follows (cont'd):-

	Gross RM	Individually impaired RM	Net RM
Group (Cont'd)			
2011			
Not past due	9,247,814	-	9,247,814
Past due 0 - 30 days	5,761,058	-	5,761,058
Past due 31 - 60 days	1,851,600	-	1,851,600
Past due more than 61 days	76,667,478	(70,988,826)	5,678,652
	93,527,950	(70,988,826)	22,539,124
1 January 2011			
Not past due	26,782,225	-	26,782,225
Past due 0 - 30 days	19,706,623	-	19,706,623
Past due 31 - 60 days	1,737,446	-	1,737,446
Past due more than 61 days	85,048,088	(66,064,935)	18,983,153
	133,274,382	(66,064,935)	67,209,447

The Group's and the Company's policy is to make full impairment for all trade receivables that are in dispute, under legal action or where recoveries are considered to be doubtful.

The net carrying amount of trade receivables is considered a reasonable approximate of their fair value.

The credit risk concentration profile of the Group as at the end of the reporting date is as follows:-

	2012 RM	% of total
By country		
Malaysia	-	-
Singapore	-	-
Total	-	-

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(a) Credit risk (cont'd)

i. Receivables (cont'd)

The credit risk concentration profile of the Group as at the end of the reporting date is as follows (cont'd):-

	2011 RM	% of total
By country		
Malaysia	17,214,192	76
Singapore	5,324,932	24
Total	22,539,124	100

	1 January 2011 RM	% of total
By country		
Malaysia	63,183,286	94
Singapore	4,026,161	6
Total	67,209,447	100

In respect of trade receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty other than Nil (2011: 98%, 1 January 2011: 34%) of trade receivables consist of Nil (2011: 3, 1 January 2011: 1) debtors. Trade receivables consist of few customers in various backgrounds. Based on historical information about customer default rates, the management considers the credit quality of trade receivables that are not past due or impaired to be good.

ii. Intercompany balances

The Company provides unsecured advances to subsidiary and associate companies and monitors the results of the subsidiary and associate companies regularly.

As at the end of the reporting year, there was no indication that the net carrying amount of amount due from subsidiary and associate companies are not recoverable.

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(a) Credit risk (cont'd)

iii. Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

iv. Financial guarantees

The maximum exposure to credit risk is amounted to RM299,489,272 (2011: RM431,435,213), represented by the outstanding banking facilities of the subsidiary companies as at the end of the reporting date.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiary companies. The Company monitors on an on-going basis the results of the subsidiary companies and repayments made by the subsidiary companies.

(b) Liquidity and cash flow risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, loans and borrowings, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The Group's and the Company's non-derivative financial liabilities which have contractual maturities are summarised below:-

Group

	Current	←	**Non-current**	→
	Less than 1 year RM	Between 1 to 2 years RM	Between 3 to 5 years RM	More than 5 years RM
2012				
Secured:				
Borrowings	57,719,976	-	-	-
Finance lease payables	111,795	162,415	144,112	-

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(b) Liquidity and cash flow risk (cont'd)

The Group's and the Company's non-derivative financial liabilities which have contractual maturities are summarised below (cont'd):-

Group (cont'd)

	Current	←	Non-current	→
	Less than 1 year RM	Between 1 to 2 years RM	Between 3 to 5 years RM	More than 5 years RM
2012 (cont'd)				
Unsecured:				
Borrowings	24,100,000	-	-	-
Trade payables	28,741,099	-	-	-
Other payables and accruals	48,006,968	-	-	-
Amount due to associate companies	523	-	-	-
2011				
Secured:				
Borrowings	123,785,195	52,275,919	170,091,497	160,671,548
Finance lease payables	120,639	110,012	362,679	-
Unsecured:				
Borrowings	24,100,000	-	-	-
Trade payables	43,075,320	-	-	-
Other payables and accruals	71,351,472	-	-	-
Amount due to associate companies	523	-	-	-
1 January 2011				
Secured:				
Borrowings	78,428,470	50,809,670	175,770,871	202,313,915
Finance lease payables	266,815	187,294	424,448	66,227
Unsecured:				
Borrowings	8,000,000	-	72,000,000	-
Trade payables	80,685,011	-	-	-
Other payables and accruals	62,126,850	7,000,000	-	-
Amount due to associate companies	183,223	-	-	-

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(b) Liquidity and cash flow risk (cont'd)

The Group's and the Company's non-derivative financial liabilities which have contractual maturities are summarised below (cont'd):-

Company

	Current	← Non-current		→
	Less than 1 year RM	Between 1 to 2 years RM	Between 3 to 5 years RM	More than 5 years RM
2012				
Secured:				
Borrowings	55,900,000	-	-	-
Unsecured:				
Borrowings	24,100,000	-	-	-
Amount due to a subsidiary company	582,151	-	-	-
Other payables and accruals	27,697,677	-	-	-
2011				
Secured:				
Borrowings	55,900,000	-	-	-
Unsecured:				
Borrowings	24,100,000	-	-	-
Amount due to a subsidiary company	582,151	-	-	-
Other payables and accruals	17,262,289	-	-	-
1 January 2011				
Secured:				
Finance lease payables	20,813	-	-	-
Unsecured:				
Borrowings	8,000,000	-	72,000,000	-
Other payables and accruals	13,851,095	-	-	-

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting date were as follows:

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Fixed rate instruments			
Financial liabilities			
Other payable	4,435,226	-	-
Finance lease payables	418,322	593,330	944,784
Borrowings	-	227,446,790	250,350,645
Floating rate instruments			
Financial liabilities			
Bank overdraft	-	16,000,203	12,546,908
Borrowings	81,819,976	287,477,166	324,425,373

	Company		
	2012 RM	2011 RM	1 January 2011 RM
Fixed rate instruments			
Financial liabilities			
Finance lease payables	-	-	20,813
Floating rate instruments			
Financial liabilities			
Borrowings	80,000,000	80,000,000	80,000,000

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting date would not affect profit or loss.

The following table illustrates the sensitivity of loss to a reasonably possible change in interest rates of +/- 0.5%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Loss for the year			
	Group		**Company**	
	RM	RM	RM	RM
	+0.5%	-0.5%	+0.5%	-0.5%
Floating rate instruments				
2012	409,100	(409,100)	400,000	(400,000)
2011	1,517,387	(1,517,387)	400,000	(400,000)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on contract revenue and costs that are denominated in a currency other than the functional currency of the Group and of the Company.

The currencies giving rise to this risk are primarily US Dollar (USD), Singapore Dollar (SGD) and Japanese Yen (JPY). The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was:

Group

	2012	2011	1 January 2011
	RM	RM	RM
Denominated in USD			
Trade receivables	-	5,686,487	7,777,349
Cash and bank balances	-	2,051	127,969
Trade payables	(8,160,604)	(13,785,504)	(22,813,081)
Other payables	-	(1,283,400)	-
Borrowings	-	(121,465,217)	(131,113,305)

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(d) Foreign currency risk (cont'd)

The currencies giving rise to this risk are primarily US Dollar (USD), Singapore Dollar (SGD) and Japanese Yen (JPY). The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was (cont'd):

Group (cont'd)

	2012 RM	2011 RM	1 January 2011 RM
Denominated in SGD			
Trade payables	-	(1,774,782)	(1,283,495)
Other payables	-	(21,382,377)	-
Denominated in JPY			
Trade payables	-	(2,380,163)	-

Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity of the Group's loss for the financial year to a reasonably possible change in the USD, SGD and JPY against the functional currency of the Group, with all other variables held constant:-

Group

	Loss for the year 2012 RM	 2011 RM
USD/RM		
- Strengthened 1% (2011 and 1 January 2011:2%)	81,606	2,616,912
- Weakened 1% (2011 and 1 January 2011:2%)	(81,606)	(2,616,912)
SGD/RM		
- Strengthened Nil (2011 and 1 January 2011:2%)	-	463,143
- Weakened Nil (2011 and 1 January 2011:2%)	-	(463,143)

38. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management (cont'd)

(d) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd):

The following table demonstrates the sensitivity of the Group's loss for the financial year to a reasonably possible change in the USD, SGD and JPY against the functional currency of the Group, with all other variables held constant (cont'd):-

Group (cont'd)

	Loss for the year	
	2012	2011
	RM	RM
JPY/RM		
- Strengthened Nil (2011: 1%, 1 January 2011: Nil)	-	23,802
- Weakened Nil (2011:1%, 1 January 2011: Nil)	-	(23,802)

Exposure to foreign exchange rates vary during the financial year depending on the volume of overseas transactions, Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Fair values of financial instruments

The carrying amounts of financial assets of the Group at the reporting date approximate their fair values except as set out below:-

	Group	
	Carrying Amount	Fair value
	RM	RM
2012		
Financial asset		
Other investments		
- Unquoted shares	33	*
2011		
Financial asset		
Other investments		
- Unquoted shares	33	*
1 January 2011		
Financial asset		
Other investments		
- Unquoted shares	33	*

38. **FINANCIAL INSTRUMENTS (CONT'D)**

Fair values of financial instruments (cont'd)

The carrying amounts of financial assets of the Group and of the Company at the reporting date approximate their fair values due to their short term nature or that they are floating instrument that are re-priced to market interest rates on or near the reporting date or immaterial impact on discounting.

* It was not practicable to estimate the fair value of the Group's and of the Company's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Group and the Company do not intend to dispose of its investment in the near future.

Fair value hierarchy

No fair value hierarchy has been disclosed as the Group and the Company do not have financial instruments measured at fair value.

39. **CAPITAL MANAGEMENT**

The Group's and the Company's objective when managing capital is to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as going concerns, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group and the Company set the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group and the Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

40. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING DATE**

(a) On 29 November 2011, the Company was awarded of a Production Sharing Contract ("PSC") by CaspiOilGas LLP ("COG"), an effective wholly-owned subsidiary company of Makmore Energy (Labuan) Limited ("MELL") for the development and extraction of hydrocarbon in the Shelly Oil Field ("Proposed PSC"). COG is the concession holder and operator of the Shelly Oil Field. On 16 February 2012, the Framework Agreement was renamed as Joint Investment Agreement ("JIA") to comply with the regulatory requirements in Kazakhstan.. The salient features of the PSC shall be similarly applicable to the JIA.

40. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING DATE (CONT'D)**

(b) On 19 January 2012, Semado Maritime Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the disposal of an oil tanker for a cash consideration of USD4,700,000 (approximately RM14,311,500). The disposal was completed on 26 March 2012 and resulted in a loss on disposal of property, plant and equipment by RM15,788,799 for the year ended 31 December 2012.

(c) On 27 April 2012, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities"), seeking its approval for an extension of time of three (3) months up to 31 July 2012 for the Company to submit its regularisation plan. The application is approved by Bursa Securities vide it letter dated 14 May 2012.

(d) On 5 July 2012, the Company submitted to Bursa Malaysia Securities Berhad ("Bursa Securities ") its regularisation plans as follows:-

(i) Proposed restructuring of the issued and paid-up share capital of the Company under Section 64 of the Companies Act, 1965 involving the cancellation of RM0.21 from the par value of each existing ordinary share of RM0.35 each in Sumatec ("Proposed Par Value Reduction") and utilisation of the credit from the par value reduction to reduce the accumulated losses of the Company;

(ii) Proposed issuance of up to 335,000,000 new Sumatec Shares to identified new investors at an issue price of RM0.175 per Sumatec Share ("Proposed Issuance of Shares"). The proceeds in excess of the nominal value of shares issued are accounted for as share premium;

(iii) Proposed renounceable rights issue of up to 2,252,393,306 (minimum scenario) or 2,722,220,957 (maximum scenario) new Sumatec shares ("Right Share") together with up to 563,098,327 (minimum scenario) or 680,555,239 (maximum scenario) detachable free warrants at an issue price of RM0.175 per Right Share on the basis of forty-one Right Shares for every ten existing Sumatec Shares held after the Proposed Issuance of Shares together with one Warrant for every four Rights Share subscribed ("Proposed Rights Issue with Warrants");

(iv) Proposed implementation of a scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 in respect of the amount owing to creditors of Sumatec and its subsidiary company, Sumatec Corporation Sdn Bhd ("SCSB") ("Scheme Creditors"). It is proposed that the outstanding debts shall be settled by the issuance of 261,000,000 new Sumatec Shares at an issue price of RM0.175 per Sumatec Share.

(v) Proposed amendment;

(vi) Proposed increase in authorised share capital; and

40. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING DATE (CONT'D)**

(d) (Cont'd)

(vii) Proposed disposal of North Malaysia Terminal Sdn. Bhd., a wholly owned subsidiary of the Company to the Purchaser for a nominal cash consideration of RM1.00 upon completion of the Internal Restructuring ("Original Proposed Disposal").

The abovementioned are collectively known as "Proposed Regularisation Plan".

Bursa Malaysia Securities Berhad had vide its letter dated 29 January 2013 resolved to approve the Proposed Regularisation Plan and the following:-

(i) Admission to the Official List and the listing of up to 680,555,239 new Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Main Market of Bursa Securities;

(ii) The listing of:-

- Up to 335,000,000 new ordinary shares of RM0.14 each in Sumatec to be issued pursuant to the Proposed Issuance of Shares;
- Up to 2,722,220,957 new ordinary shares RM0.14 each in Sumatec to be issued pursuant to the Proposed Rights Issue with Warrants
- Up to 680,555,239 new ordinary shares of RM0.14 each in Sumatec to be issued pursuant to the exercise of the Warrants; and
- Up to 261,000,000 new ordinary shares of RM0.14 each in Sumatec to be issued pursuant to the Proposed Scheme of Arrangement with Creditors.

(e) The Company has resolved to revise the terms of the Global CLO Settlement. On 21 December 2012, Sumatec had entered into a sale and purchase agreement with Ebony Ritz Sdn. Bhd. (non-controlling interest of SISB) and third parties for the disposal of the Company's entire 51% equity interest in SISB to the purchasers for a total consideration of RM18.8 million ("Proposed Disposal").

Consequently, the Proposed Disposal shall from part of the Proposed Regularisation Plan in place of the Original Proposed Disposal.

Bursa Malaysia Securities Berhad had vide its letter dated 10 April 2013, approved the Proposed Disposal.

41. DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directive which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on Group and Company basis in the annual audited financial statements.

The breakdown of accumulated losses as at the reporting date has been prepared by the Directors in accordance with the directive from Bursa Malaysia Securities Berhad stated above and the 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 as required by the Malaysian Institute of Accountants are as follows:

	Group		
	2012 RM	2011 RM	1 January 2011 RM
Total (Accumulated losses)/ Retained earnings of the Group			
- Realised loss	(167,076,803)	(85,042,639)	78,247,105
- Unrealised loss	(1,253,989)	(2,219,500)	26,319,814
	(168,330,792)	(87,262,139)	104,566,919
Consolidation adjustments	(78,006,148)	(59,395,861)	(165,876,810)
	(246,336,940)	(146,658,000)	(61,309,891)

	Company		
	2012 RM	2011 RM	1 January 2011 RM
Total (Accumulated losses)/ Retained earnings of the Company			
- Realised loss	(182,969,650)	(126,829,511)	51,139,321
- Unrealised loss	-	-	-
	(182,969,650)	(126,829,511)	51,139,321
Consolidation adjustments	-	-	-
	(182,969,650)	(126,829,511)	51,139,321

The disclosure of realised and unrealised above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

CERTIFIED TRUE COPY

Secretary
M. CHANDRASEGARAN A/L S. MURUGASU
MAICSA NO: 0781031
5 SEP 2013

SUMATEC RESOURCES BERHAD
Company No. 428355-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2013

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-Jun-13 RM'000	Preceding Year Corresponding Quarter 30-Jun-12 RM'000	Current Year To Date 30-Jun-13 RM'000	Preceding Year Corresponding Period 30-Jun-12 RM'000
Revenue	-	26	-	85
Operating expenses	(1,489)	(2,113)	(2,573)	(8,005)
Other Operating Income	-	128	1	195
Loss from Operations	(1,489)	(1,959)	(2,572)	(7,725)
Interest expenses	(2,517)	(2,246)	(4,943)	(5,064)
Net loss from discontinued operation	189	(15,094)	(3,172)	(34,059)
Loss before taxation	(3,817)	(19,299)	(10,687)	(46,848)
Taxation	(37)	-	(37)	(10)
Loss for the period	(3,854)	(19,299)	(10,724)	(46,858)
Attributable To:				
Equity holders of the parent	(3,944)	(11,896)	(9,161)	(30,148)
Minority interest	90	(7,403)	(1,563)	(16,710)
	(3,854)	(19,299)	(10,724)	(46,858)
Earnings/(loss) per share				
(a) Basic earnings per share (sen)	(1.84)	(5.55)	(4.27)	(14.06)
(b) Diluted earnings per share(sen)	(1.84)	(5.55)	(4.27)	(14.06)

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes to this interim financial report.

SUMATEC RESOURCES BERHAD
Company No. 428355-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		AUDITED
	30-Jun-13	31-Dec-12
	RM'000	RM'000
ASSETS		
Non-Current assets		
Property, Plant And Equipment	**1,141**	1,214
	1,141	1,214
Current assets		
Trade and Other Receivables	**25**	239
Amount Due from Associated Companies	**1**	1
Tax Recoverable	**98**	830
Deposits, Cash and Bank Balances	**36**	71
Assets classified as held for sales	**549,119**	549,119
	549,279	550,260
TOTAL ASSETS	**550,420**	551,474
EQUITY AND LIABILITIES		
Share Capital	**75,027**	75,027
Reserves	**(222,019)**	(212,858)
Equity attributable to equity holders of the parent	**(146,992)**	(137,831)
Minority Interest	**68,957**	70,520
Total Equity	**(78,035)**	(67,311)
Non-current liabilities		
Long Term Borrowings	**303**	306
	303	306
Current liabilities		
Trade and Other Payables	**78,753**	76,748
Overdraft and Short Term Borrowings	**86,428**	81,932
Liabilities classified as held for sale	**462,971**	459,799
	628,152	618,479
Total Liabilities	**628,455**	618,785
TOTAL EQUITY AND LIABILITIES	**550,420**	551,474
	-	
NET ASSETS PER SHARE (RM)	**(0.69)**	**(0.64)**

The condensed balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes to this interim financial report.

SUMATEC RESOURCES BERHAD
Company No. 428355-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2013

	Attributable to Equity Holder of the Parent					
		Non-Distributable	Distributable			
	Share Capital RM'000	**Reserve RM'000**	**Retained Profit RM'000**	**Total RM'000**	**Minority Interest RM'000**	**Total Equity RM'000**
Balance as at 1 January 2012	75,027	33,535	(146,658)	(38,096)	76,202	38,106
Realised upon subsidiary companies written off					30	**30**
Comprehensive loss for the year	-	(56)	(99,679)	(99,735)	(5,712)	(105,447)
Balance as at 31 December 2012	75,027	33,479	(246,337)	(137,831)	70,520	(67,311)
Balance as at 1 January 2013	**75,027**	**33,479**	**(246,337)**	**(137,831)**	**70,520**	**(67,311)**
Comprehensive loss for the period			**(9,161)**	**(9,161)**	**(1,563)**	**(10,724)**
Balance as at 30 June 2013	**75,027**	**33,479**	**(255,498)**	**(146,992)**	**68,957**	**(78,035)**

SUMATEC RESOURCES BERHAD
Company No. 428355-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2013

	30-Jun-13 RM'000	30-Jun-12 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(10,687)	(46,847)
Adjustments for:		
Depreciation of property,plant and equipment	74	11,790
Interest expenses	4,943	18,792
Loss on disposal of fixed assets	-	15,745
Bad debts written off	(1)	835
Operating profit before changes in working capital	(5,671)	315
Changes in working capital:-		
(Increase)/decrease in trade and other receivables	211	6,332
Increase/(decrease) in trade and other payables	6,440	12,572
Cash generated from / (used in) operations	980	19,219
Interest paid	(1,682)	(18,792)
Tax (paid)/recovered	696	(16)
Interest received	-	(74)
Net cash generated from / (used in) operating activities	(6)	337
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment		13,926
Net cash from / (used in) investing activities	-	13,926
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans and other borrowings	-	(16,495)
Repayment of hire purchase and lease financing	(31)	(58)
Net cash from / (used in) financing activities	(31)	(16,553)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENT	(37)	(2,290)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	73	(14,527)
CASH AND CASH EQUIVALENT AT END OF THE YEAR	36	(16,817)
CASH AND CASH EQUIVALENTS		
Cash and Bank Balances	36	1,270
Bank Overdraft	-	(18,087)
	36	(16,817)

-

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes to this interim financial report.

SUMATEC RESOURCES BERHAD
Company No. 428355-D
(Incorporated in Malaysia)

SUMMARY OF KEY FINANCIAL INFORMATION FOR THE FINANCIAL PERIOD ENDED 30/6/2013

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Jun-13 RM'000	Preceding Year Corresponding Quarter 30-Jun-12 RM'000	**Current Year To Date 30-Jun-13 RM'000**	Preceding Year Corresponding Period 30-Jun-12 RM'000
1	Revenue	-	26	-	85
2	Loss before tax	(3,817)	(19,299)	(10,687)	(46,848)
3	Loss for the period	(3,854)	(19,299)	(10,724)	(46,858)
4	Loss attributable to ordinary equity holders of the parent	(3,944)	(11,896)	(9,161)	(30,148)
5	Basic earnings per share (sen)	(1.84)	(5.55)	(4.27)	(14.06)
6	Proposed/declared dividend per share (sen)	-	-	-	-

		AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7	Net assets per share attributable to ordinary equity holders of the parent (RM)	(0.69)	(0.64)
Remarks:			

ADDITIONAL INFORMATION

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30-Jun-13 RM'000	Preceding Year Corresponding Quarter 30-Jun-12 RM'000	**Current Year To Date 30-Jun-13 RM'000**	Preceding Year Corresponding Period 30-Jun-12 RM'000
1	Gross interest income	-	-	-	-
2	Gross interest expense	(2,517)	(2,246)	(4,943)	(5,064)

Note : The above information is for the Exchange internal use only.

SUMATEC RESOURCES BERHAD
Company No. 428355-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysia Financial Reporting Standards ("MFRS") 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2012. These explanatory notes attached to the 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 2012.

A2 Audit report of preceding annual financial statement

The audited financial statements of the Company for the year ended 31 December 2012 were not subject to qualification.

A3 Seasonal or cyclical factors

The operations of the Group are not subject to seasonal or cyclical fluctuations.

A4 Unusual Items

Other than as disclosed, there were no unusual items that affected the assets, liabilities, equity, net income and cash flows of the Group during the quarter under review.

A5 Material changes in estimates

There was no material changes in estimates of amount reported during the quarter under review.

A6 Debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy backs, share cancellations, share held as treasury shares and resale of treasury shares during the current quarter and financial year under review.

A7 Dividend Paid

There were no dividends declared or paid during the quarter under review.

INTERIM FINANCIAL REPORT

A8 Segment Information

The Group is principally engaged in providing services within oil, gas, and petrochemical industry, shipping industry and provision of related services.

	Current Year Quarter ended 30-June-2013	
	Revenue (RM'000)	**Profit before tax (RM'000)**
EPCC	-	(1,048)
Shipping (Discontinued Operation)	-	(3,172)
Others	-	(6,467)
	-	(10,687)

A9 Valuation of Property, Plant and Equipment

There were no changes to the valuation of property, plant and equipment brought forward from the preceding annual audited financial statements.

A10 Material events subsequent to the end of the interim period

Other than as disclosed in B8 there were no material events subsequent to the end of the current financial quarter, which is likely to substantially affect the results of the operations of the Group for the current quarter.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial quarter.

A12 Contingent liabilities

The Company has given corporate guarantees amounting to RM471 million to suppliers, licensed banks and financial institution for banking facility granted to the subsidiary companies. Consequently, the Company is liable for the amount of banking facilities utilized by the subsidiary companies totaling RM287 million and RM12.3 million on the liquidated ascertained damages.

A13 Capital Commitments

There are no capital commitments at the end of the current quarter.

SUMATEC RESOURCES BERHAD
Company No. 428355-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Performance

Compared to the preceding year corresponding quarter, the Group's turnover for the current quarter has dereased by RM0.03 million from RM0.03 million to RM0 million. The loss before taxation has decreased by RM15.48 million from loss RM19.30 million to a loss of R3.82 million. The decrease in losses in this quarter result was mainly attributable to the lower loss in Semua Shipping by RM15.28 million.

B2 Variation of results against preceding quarter

The Group recorded no revenue and a Loss before taxation of RM3.82 million for the 2nd quarter ended 30 June 2013. As compared to the quarter ended 31 March 2013, the Group's turnover remained unchanged whereas Loss before taxation has decreased by RM3.05 million from RM6.87 million. The decrease in losses was mainly attributable to the lower loss in Semua Shipping by RM3.55 million.

B3 Prospects

The company had on 5th July 2012, submitted the regularization plan to Bursa Malaysia Securities Bhd and obtained Bursa's approval on the plan on 10th April 2013. The shareholders approved the Proposed Regularisation Plan on 21st June 2013. The Creditors Scheme of Arrangement was also approved on 28th June 2013. On 22nd July 2013 and 14th August 2013, the court has approved the Proposed Scheme and Capital Reduction respectively. The company expects to complete this restructuring plan by the 4th Quarter of 2013.

B4 Variance on Forecast Profit/Profit Guarantee

The group does not announce any profit forecast nor profit guarantee during the financial quarter.

INTERIM FINANCIAL REPORT

B5 Taxation

	Current Year Quarter Ended 30-June-13 RM'000	12 months ended 31-Dec-13 RM'000
Current taxation	-	-
(Over)/Under-provision in the prior year	-	-
Deferred taxation	-	-
	-	-

B6 Unquoted investments and/or properties

There were no purchase or sales of unquoted securities during the financial quarter under review and financial year to date.

B7 Quoted securities

There were no purchases or sales of quoted securities during the financial quarter under review and financial year to date.

B8 Status of corporate proposals

Proposed Regularisation Plan

On 29 November 2011, Sumatec entered into a framework agreement ("Framework Agreement") with Markmore Energy (Labuan) Limited ("MELL") for the proposed award of the production sharing contract ("PSC") by CaspiOilGas LLP ("COG"), an effective wholly-owned subsidiary of MELL, to Sumatec for the development and extraction of hydrocarbon in the Shelly Oil Field ("Proposed PSC"). COG is the concession holder and operator of the Shelly Oil Field.

The Proposed PSC is part of the Company's initiative to restore Sumatec onto stronger financial footing via, amongst others, a balance sheet reconstruction, injection of new funds and settlement with the group's creditors. The Company is currently finalising its regularisation plan under Practice Note ("PN") 17 of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and will announce its Requisite Announcement i.e. details of the proposed regularisation exercise ("Proposed Regularisation Exercise") upon finalising the terms of the Proposed PSC.

On 8 March 2012, M&A Securities Sdn Bhd on behalf of the Board of Sumatec announced that the Company, MELL and COG had executed a joint investment agreement ("JIA").The Framework

Agreement is conditional upon, inter-alia the award of the joint investment agreement for the development and extraction of hydrocarbon in the Shelly Oil Field to Sumatec by COG by 2 April 2012.

The Company had on 27 April 2012 made the requisite announcement in relation to the proposed regularisation plan which comprises the following :-

a) Proposed Par Value Reduction;
b) Proposed Issuance of Shares;
c) Proposed Rights Issue with Warrants;
d) Proposed Scheme of Arrangement with Creditors; and
e) Proposed Amendment.
(Collectively known as the "Proposed Regularization Plan")

Under Paragraph 2.1(d) of the PN17, Sumatec has up to 28 April 2012 to submit its regularization plan to the relevant authorities for approval.

On 14 May 2012, M&A Securities Sdn Bhd had announced that Bursa Securities vide its letter dated 14 May 2012 have approved an extension of time of up to 31 July 2012 for the Company to submit a regularisation plan to the regulatory authorities.

On 5th July 2012, M&A Securities Sdn Bhd on behalf of the company, announced that the application for the Proposed Regularisation Plan has been submitted to Bursa Securities.

On 29th January 2013, M&A Securities Sdn Bhd on behalf of the company, announced that the application for the Proposed Regularisation Plan has been approved by Bursa Securities.

On 8th February 2013, M&A Securities Sdn Bhd on behalf of the company, announced the proposed disposal of Sumatec's entire 51% equity interest in SISB to Hoe Leong Corp. Limited and Setinggi Holdings Limited.

On 10th April 2013, Bursa Securities approved the Revised Proposed Regularisation Plan.

On 21st June 2013, M&A Securities Sdn Bhd on behalf of the Company, announced that the shareholders of Sumatec have unanimously passed all resolutions pertaining to the Proposed Regularisation Plan at the Company's Extraordinary General Meeting which was held on 21st June 2013. In relation to Ordinary Resolution 3 on the proposed allotment and issuance of (a) 95,000,000 new ordinary shares of RM0.14 each in Sumatec to be issued to Tekad Mulia Sdn Bhd pursuant to the Proposed Issuance of Shares, and (b) up to 10,191,000 new ordinary shares of RM0.14 each in Sumatec to be issued to Tekad Mulia Sdn Bhd pursuant to the Proposed Scheme of Arrangement with Creditors, which was voted on by poll, t he results of the poll is 100 % for in term of number and value.

On 28th June 2013, the company announced that all five (5) Ordinary Resolutions and the Special Resolution 1 set out in the Notice of The 16hth Annual General Meeting(AGM) dated 6th June 2013 were duly passed and carried at the 16th AGM of the Company duly convened and held on 28th June 2013.

On 28th June 2013, M&A Securities Sdn Bhd, on behalf of the company announced that pursuant to the court convened meetings held on 28th June 2013, the Proposed Scheme of Arrangement with Scheme Creditors has been approved by more than 50% in number of the respective scheme creditors representing more than 75% in value of the respective scheme creditors present and voting in person or by proxy at the respective meetings.

On 23rd July 2013, M&A Securities Sdn Bhd, on behalf of the company announced that Sumatec's solicitors had informed that on 22nd July 2013, the High Court of Malaya has granted the following orders:-

(a) Extension of the restraining order under Section 176(10) of the Companies Act, 1965 for a further period of 90 days from 15th July 2013 to 12th October 2013,
(b) Sanction of the proposed scheme of arrangement and compromise between Sumatec and its creditors;
(c) Sanction of the proposed scheme of arrangement and compromise between Sumatec Corporation Sdn Bhd and its creditors; and
(d) Approval of the proposed disposal by Sumatec of its entire 51% equity interest in Semua International Sdn Bhd to Setinggi Holdings Limited and Hoe Leong Corporation Ltd.

On 15th August 2013, M&A Securities Sdn Bhd, on behalf of the company announced that Sumatec's solicitors had informed that on 14th August 2014, the High Court of Malaya has confirmed the Proposed Par Value Reduction.

Extension of Restraining Order under section 176(10) of the Companies Act, 1965

On 2 February 2012, the company has announced that the Court has granted the Company and its subsidiary company, Sumatec Corporation Sdn Bhd a further extension of another sixty (60) days from the expiry of the RO on 14 January 2012 to 13 March 2012.
The RO does not have any financial and operational impact on Sumatec and its Group.

On 4 May 2012, the company announced that the Court has granted the Company and its subsidiary company, Sumatec Corporation Sdn Bhd a further extension from the expiry of the RO on 13 March 2012 to 15 May 2012.

On 31st May 2012, the court has granted the company and it subsidiary SCSB further extension to 14th July 2012.

On 14th August 2012, the court has granted the company and its subsidiary SCSB further extension to 27th September 2012.

On 27th September 2012, the court has granted the company and its subsidiary SCSB further extension to 26th November 2012.

On 26th November 2012, the court has granted the company and its subsidiary SCSB further extension to 15th January 2013.

On 15th January 2013, the court has granted the company and its subsidiary SCSB further extension to 14th April 2013.

On 15th April 2013, the court has granted the company and its subsidiary SCSB further extension to 15th July 2013.

On 15th July 2013, the court has granted the company and its subsidiary SCSB further extension to 12th October 2013.

INTERIM FINANCIAL REPORT

B9 Group borrowings and debt securities

The Group does not have or issue any debt securities during the quarter under review. The borrowings of the Group are classified as follows: -

	Secured RM'000	Unsecured RM'000
Short term borrowings	55,900	24,100
Long term borrowings	2,296	4,435
	58,196	28,535

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk issued during the quarter under review.

B11 Material Litigation

Save as disclosed below, Sumatec and its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors of Sumatec do not have any knowledge of any proceedings, pending or threatened against Sumatec and its subsidiaries or of any facts likely to give rise to any proceedings which might adversely and materially affect the position or business of Sumatec and its subsidiaries as at the LPD:-

(a) In the Matter of Kuala Lumpur Centre For Arbitration ("KLRCA") Arbitration Foster Isulation Sdn Bhd ("FISB") vs. Sumatec Corporation Sdn Bhd "SCSB")

SCSB had appointed FISB as its sub-contractor in respect of insulation work for AseanBintulu Fertiliser ("ABF") Ammonia and Urea Plant Revamp Project in Bintulu, Sarawak. FISB issued a Notice of Arbitration on 18 October 2005, claiming the sum of RM2,210,781.14. SCSB filed its Defence and Counter claim for a sum of RM4,838,050.30.

Current Status : The matter has been fully heard. The Arbitrator has awarded a sum of RM1,020,582.70 as damages plus interest of 8% on that sum from 18 October 2005 to date of full settlement plus costs of RM74,250.00 being costs of the award ("the Award"). Subsequent to that, parties had reached an amicable settlement arrangement whereby SCSB was to pay the Award by way of instalments. After having paid the first instalment, SCSB was not able to pay the balance. As a result of which, FISB has commenced winding up proceedings. The winding up petition by Foster Insulation was withdrawn on 29 July 2013.

(b) **Kuala Lumpur High Court Suit No. D22NCC-1123-2010**
Sumatec Engineering and Construction Sdn Bhd ("SECSB") v Malaysian Refining Company Sdn Bhd ("MRC") And In the matter of KLCRA Arbitration SECSB vs. MRC

Arbitration proceeding have been initiated in respect of SECSB's final claims for the works and delivery of steel structure, which are as follows:-

i. Claim CC-3080-004-0803-INV 007 amounting to RM1,322,210.89; and
ii. Claim CC-3080-004-0803-INV 008 amounting to RM3,016,473.59

MRC in turn sent SECSB a "Notice of Backcharges" claiming costs of "modifications" made to fabricated steel provided by SECSB which purportedly had to be made during the erection process. SECSB disputed this. Subsequently, parties then entered into negotiations to resolve their differences with regard to their respective claims against each other. Although the parties had several meetings to resolve their respective claims against the other, their differences could not be resolved.

Current Status: Preliminary meetings have been held with the arbitrator with regards to the arbitration proceedings. SESB has informed the court that it does not intend to proceed with arbitration.

(c) **Kuala Lumpur High Court Suit No. D5-22-340-2008**
Kenneison Construction Materials Sdn Bhd ("KCM") vs. SCSB & Sumatec

KCM's claim was for monies owed by SCSB for goods sold and delivered to SCSB whilst the claim against SRB is based on the Corporate Guarantee provided by Sumatec dated 5 February 2007 for RM2,000,000.00.

KCM was successful in obtaining Summary Judgement against SCSB and Sumatec. Winding-up Notices under Section 218(1)(e) of the Companies Act 1965 were issued on 9 May 2011 against SCSB and Sumatec respectively.

Current Status: No winding up petition has been issued by KCM against either SCSB or Sumatec.

(d) Kuala Lumpur High Court Suit No. D22-NCC1222-2010
SCSB v Perbadanan Industri Halal Berhad ("PIHB")

A Writ and Statement of Claim was filed on 22 June 2010 in the High Court in Kuala Lumpur by SCSB against PIHB. SCSB was appointed by PIHB as a turnkey contractor to design, construct and complete ten (10) halal hub complexes around Malaysia, In view that SCSB was not being given site possession; SCSB was unable to commence work and was prevented from claiming for advance payment. SCSB's claim is for an amount of RM4,389,000 being expenses incurred by SCSB and for the earnest deposit of RM2.5 million paid to PIHB plus interests and costs.

Current Status: Consent Judgment was recorded on 13.4.2011 for the sum of RM3 million which was payable by PIHB to SCSB in 10 instalments. PIHB have defaulted on payments after having made the first payment. PIHB has subsequently been wound-up. SCSB has filed its proof of debt.

(e) Kuala Lumpur High Court Suit No. 22NCC-1570-09/2011
SCSB v Himpunan Sari Sdn Bhd ("HSSB")

SCSB filed a suit against HSSB in relation to HSSB's call on a Bank Guarantee which was provided by SCSB pursuant to a contract for the design, engineering, procurement, construction works, start up works, commissioning and performance testing of a 250,000 metric ton per year Biodiesel Facilities for a sum of RM109,207,050.00. In the injunction proceedings SCSB is seeking declarations to the effect that HSSB has no right to call on the Bank Guarantee provided by SCSB. SCSB was successful in obtaining the injunction pending disposal of the main suit. Subsequently, parties then entered into negotiations and arbitration.

Current Status: The matter is fixed for further Case Management on 12.9.2013 for parties to inform Court on the status of arbitration.

B12 Dividends

No dividend has been recommended during the quarter under review.

B13 Earnings Per Share (Sen)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	**Current Year To Date**	Preceding Year Corresponding Period
	30-June-13	30-Jun-12	**30-June-13**	30-Jun-12
	RM'000	RM'000	**RM'000**	RM'000
Basic earnings/(loss) per share				
Net loss attributable to shareholders	**(3,944)**	(11,896)	**(9,161)**	(30,148)
Number of ordinary shares at the beginning of the period	**214,364**	214,364	**214,364**	214,364
Capital Reduction				
- rights issue (weighted average)	-	-	-	-
Weighted average number of shares at the end the period	**214,364**	214.364	**214,364**	214,364
Basic earnings/(loss) per share (sen)	**(1.84)**	(5.55)	**(4.27)**	(14.06)

B14 Disclosure of Realised And Unrealised Loss

	Group RM'000	**Company RM'000**
Total Accumulated losses of the Company and its Subsidiary companies		
-Realised	(254,244)	(189,429)
-Unrealised	(1,254)	
	(255,498)	(189,429)

The disclosure of realized and unrealized loss above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

Company No. 428355-D

APPENDIX VIII

DIRECTORS' REPORT

SUMATEC RESOURCES BERHAD (428355-D)

(A Public Listed Company On Bursa Malaysia Securities Berhad)

~~Lot PT 33638, Batu 7, Jalan Bukit Kemuning,~~
~~Seksyen 32, 40460 Shah Alam,~~
~~Selangor Darul Ehsan, Malaysia.~~
~~Tel: +603-5121 8833 Fax: +603-5121 8811~~
E-mail: sumatec@sumatec.com

New Address:
43-G & 43-1, The Boulevard,
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Tel: +603-2283 1368 Fax: +603-2282 6368

Registered Office:
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Date : 11 OCT 2013

To: The Entitled Shareholders of Sumatec Resources Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("Board") of Sumatec Resources Berhad ("the Company"), I wish to report that, after due inquiries in relation to the Company and its subsidiaries ("Group") during the period between 31 December 2012, being the date on which the latest audited consolidated statements have been made up, and the date hereof, being a date not earlier than 14 days before the issue of this Abridged Prospectus), that:-

(a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realizable in the ordinary course of business;

(d) save as disclosed in Section 9.3 of this Abridged Prospectus, there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by any company within the Group;

(e) save as disclosed in Section 9.2 of this Abridged Prospectus, since the last audited consolidated financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited consolidated financial statements of the Group.

Yours faithfully,
For and on behalf of the Board
SUMATEC RESOURCES BERHAD

CHAN YOK PENG
MANAGING DIRECTOR

ADDITIONAL INFORMATION

1. SHARE CAPITAL

(i) Save for the Rights Shares, Warrants and the new Shares to be issued pursuant to the exercise of the Warrants, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.

(ii) As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.14 each, all of which rank *pari passu* with one another.

(iii) All the Rights Shares and the new Shares to be issued pursuant to the exercise of Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital, save and except that such Shares will not be entitled to any dividend, rights, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment of such Shares.

(iv) As at the date of this Abridged Prospectus, save for the:

(a) Entitled Shareholders who will be provisionally allotted the Rights Shares together with Warrants under the Rights Issue with Warrants;

(b) Up to 261,000,000 new Sumatec Shares to be issued pursuant to the Scheme of Arrangement with Creditors; and

(b) holders of the Existing Warrants and ESOS Options,

no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this Abridged Prospectus.

(v) Save for the Rights Issue with Warrants, Issuance of Shares, Scheme of Arrangement with Creditors, new Sumatec Shares to be issued pursuant to the exercise of Existing Warrants, Warrants and ESOS Options and as disclosed in Appendix III of this Abridged Prospectus, none of our securities have been issued or agreed to be issued either as fully or partly paid-up otherwise than in cash, within the two (2) years immediately preceding the date of this Abridged Prospectus.

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2. ARTICLES OF ASSOCIATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are as follows:

Remuneration of Directors
Article 95

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided always that:-

95.1 Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

95.2 Salaries payable to executive Directors may not include a commission on or percentage of turnover;

95.3 Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

95.4 Any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Reimbursement and Remuneration
Article 96

96.1 The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

96.2 If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing any willing Director called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged, subject to Article 95.1 and 95.2.

Remuneration of Managing Director
Article 127

The remuneration of the Managing Director or Deputy or Assistant Managing Director shall subject to the terms of any agreement entered into in any particular case may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

3. MATERIAL CONTRACTS

Save as disclosed below, the Deed Poll and Underwriting Agreement, we confirm that there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years preceding the date of this Abridged Prospectus:

(a) The Framework Agreement, salient terms of which are set out in Section 1, Appendix IV of this Abridged Prospectus.

(b) The JIA, the salient terms of which are set out in Section 2, Appendix IV of this Abridged Prospectus.

(c) Company acquisition agreement dated 28 June 2012 ("CAA") between our Company with Aliran Ketara Sdn Bhd ("AKSB") for the sale of the entire equity interest of our wholly owned subsidiary, North Malaysia Terminal Sdn Bhd ("NMTSB") for a cash consideration of RM1.00. Under the CAA, our Company shall transfer its 51% equity interest in Semua International Sdn Bhd to NMTSB and novate the net secured portion of the collateralized loan obligations ("CLO") debt of RM42 million to NMTSB. The total debt under the CLO amounts to RM91.7 million as at 31 December 2011 with the settlement sum being capped at RM56 million. AKSB shall be responsible to pay the secured portion of the CLO debt of RM42 million in cash on 30 September 2013 whilst our Company shall pay the CLO bondholders the balance amount of RM14 million by way of issuance of shares under the Scheme of Arrangement with Creditors. On 8 February 2013, Sumatec has informed AKSB that the CAA has lapsed and is of no further effect due to the non-fulfillment of certain conditions precedent.

(d) The Addendums, the salient terms of which are set out in Section 1, Appendix IV of this Abridged Prospectus.

(e) Sale and purchase agreement dated 21 December 2012 ("SPA") entered into between Sumatec, Setinggi Holdings Limited ("SHL"), Hoe Leong Corporation Ltd ("HLC") and Ebony Ritz Sdn Bhd ("ERSB") for the Disposal. The Disposal entails the disposal of Sumatec's entire 51% equity interest in Semua International Sdn Bhd ("SISB") to HLC and SHL respectively as follows:-

    (i) the 2,529,267 SISB shares ("1st Tranche Sale Shares"), representing 2% of the issued and paid-up share capital of SISB for a cash consideration of RM1,800,000 payable by HLC upon signing of the SPA; and

    (ii) the 61,967,005 SISB shares ("2nd Tranche Sale Shares"), representing 49% of the issued and paid-up share capital of SISB for a cash consideration of RM17,000,000 payable by SHL within 24 months after the date of the CLO bondholders' consent for the transfer of the said SISB Shares is obtained.

(f) Supplemental deed dated 28 May 2013 to the SPA between Sumatec, SHL, HLC and ERSB to inter-alia, extend the deadline to fulfill the conditions precedent contained in the SPA to 30 September 2013.

(g) Settlement agreement dated 28 May 2013 ("CLO Settlement Agreement") between Sumatec with Kerisma Berhad, CapOne Berhad, Prima Uno Berhad, Malaysia Trustee Bhd ("Trustee"), HLC, SHL and SISB in relation to the full and final settlement of the amount owing to the CLO bondholders as follows:-

(i) the disposal price of the Disposal of RM18.8 million shall be paid by HLC, SHL or HLC's nominees to the Trustee for the account of the CLO bondholders;

(ii) RM5.2 million shall be paid by SISB within 7 business days of the CLO Settlement Agreement as dividend payment assigned to the Trustee;

(iii) RM6.9 million shall be paid by SISB on 30 September 2013 as dividend payment assigned to the Trustee; and

(iv) Sumatec shall issue, new shares valued at RM25.1 million under the Scheme of Arrangement with Creditors.

(v) The CLO bondholders agree to waive any outstanding principal amount above RM56.0 million of the CLO debt.

(h) The following agreements have been executed to inter-alia, govern the daily operational terms of the Rakushechnoye Oil Field and operationalise the terms of the JIA:-

- Investment agreement between Sumatec and COG dated 2 August 2013 ("Investment Agreement"); and

- Joint investment agency agreement between Sumatec, COG and Sumatec Oil and Gas LLP ("SOG"), a wholly owned subsidiary of Sumatec dated 2 August 2013 ("Agency Agreement").

(Collectively referred to as "Operating Agreements"). The salient terms of the Operating Agreements include the following:-

(i) Sumatec shall provide investment funds of up to USD80 million for the Petroleum Operations ("Investment Funds").

(ii) SOG shall be empowered to perform the Petroleum Operations including but not limited to assisting in purchasing of goods, works and services, dealing with sub-contractors and managing the Investment Funds.

(iii) COG shall reimburse SOG all cost incurred under the Agency Agreement (excluding cost for the Petroleum Operations) ("Agency Cost") and pay SOG fees amounting to 15% of the Agency Cost.

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4. MATERIAL LITIGATION

Save as disclosed below, our Group are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and our Directors do not have any knowledge of any proceedings, pending or threatened against our Group or of any facts likely to give rise to any proceedings which might adversely and materially affect the position or business of our Group as at the LPD:-

(a) Kuala Lumpur High Court Suit No. D22NCC-1123-2010 Sumatec Engineering and Construction Sdn Bhd ("SECSB") vs. Malaysian Refining Company Sdn Bhd ("MRC")
And
In the matter of KLCRA Arbitration
SECSB vs. MRC

Arbitration proceedings have been initiated in respect of SECSB's final claims for the works and delivery of steel structure, which are as follows:-

i. Claim CC-3080-004-0803-INV 007 amounting to RM1,322,210.89; and
ii. Claim CC-3080-004-0803-INV 008 amounting to RM3,016,473.59

MRC in turn sent SECSB a "Notice of Backcharges" claiming costs of "modifications" made to fabricated steel provided by SECSB which purportedly had to be made during the erection process. SECSB disputed this. Subsequently, parties then entered into negotiations to resolve their differences with regard to their respective claims against each other. Although the parties had several meetings to resolve their respective claims against the other, their differences could not be resolved.

Current Status: Preliminary meetings have been held with the arbitrator with regards to the arbitration proceedings. SESB has informed the court that it does not intend to proceed with arbitration.

(b) Kuala Lumpur High Court Suit No. D5-22-340-2008
Kenneison Construction Materials Sdn Bhd ("KCM") vs. SCSB & Sumatec

KCM's claim was for monies owed by SCSB for goods sold and delivered to SCSB whilst the claim against SRB is based on the Corporate Guarantee provided by Sumatec dated 5 February 2007 for RM2,000,000.00.

KCM was successful in obtaining Summary Judgement against SCSB and Sumatec. Winding-up Notices under Section 218(1)(e) of the Companies Act 1965 were issued on 9 May 2011 against SCSB and Sumatec respectively.

Current Status: KCM is a scheme creditor under the Scheme of Arrangement with Creditors. By Order of the High Court in Originating Summons No. 24NCC-185-2011 dated 22 July 2013, the Scheme of Arrangement with Creditors was approved by the High Court so as to bind the scheme creditors to accept the settlement shares proposed therein. On approval/sanction by the High Court of all previous arrangements, compromises, commitments, negotiations and moratorium entered into between Sumatec and SCSB with the scheme creditors shall be superseded by the Scheme of Arrangement with Creditors.

(c) Kuala Lumpur High Court Suit No. D22-NCC1222-2010
SCSB v Perbadanan Industri Halal Berhad ("PIHB")

A Writ and Statement of Claim was filed on 22 June 2010 in the High Court in Kuala Lumpur by SCSB against PIHB. SCSB was appointed by PIHB as a turnkey contractor to design, construct and complete ten (10) halal hub complexes around Malaysia, In view that SCSB was not being given site possession; SCSB was unable to commence work and was prevented from claiming for advance payment. SCSB's claim is for an amount of RM4,389,000 being expenses incurred by SCSB and for the earnest deposit of RM2.5 million paid to PIHB plus interests and costs.

Current Status: Consent Judgment was recorded on 13.4.2011 for the sum of RM3 million which was payable by PIHB to SCSB in 10 instalments. PIHB have defaulted on payments after having made the first payment. PIHB has subsequently been wound-up. SCSB has filed its proof of debt.

(e) Kuala Lumpur High Court Suit No. 22NCC-1570-09/2011
SCSB v Himpunan Sari Sdn Bhd ("HSSB")

SCSB filed a suit against HSSB in relation to HSSB's call on a Bank Guarantee which was provided by SCSB pursuant to a contract for the design, engineering, procurement, construction works, start-up works, commissioning and performance testing of a 250,000 metric ton per year Biodiesel Facilities for a sum of RM109,207,050.00. In the injunction proceedings SCSB is seeking declarations to the effect that HSSB has no right to call on the Bank Guarantee provided by SCSB. SCSB was successful in obtaining the injunction pending disposal of the main suit. Subsequently, parties then entered into negotiations and arbitration.

Current Status: SCSB does not intent to proceed with arbitration proceedings. SCSB's solicitors have applied to discharge themselves from acting for SCSB. The application is fixed for hearing on 24 October 2013.

5. GENERAL

(a) The nature of our business is set out in Section 1, Appendix III of this Abridged Prospectus. Save as disclosed in Section 5, Appendix III of this Abridged Prospectus, there are no corporations that are related to our Company by virtue of Section 6 of the Act as at the date of this Abridged Prospectus.

(b) The total estimated expenses of or in connection with the Regularisation Plan including professional fees, fees payable to the relevant authorities, registration and other incidental expenses of approximately RM5.0 million will be borne by our Company.

(c) None of our Directors have any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year of the date of this Abridged Prospectus.

(d) Save as disclosed in this Abridged Prospectus, our Directors are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

(e) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:-

(i) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

(ii) material commitments for capital expenditure;

(iii) unusual of infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

(iv) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact of our Group's revenue or operating income; and

(v) substantial increase in revenue.

6. WRITTEN CONSENTS

The written consents of the Adviser and Managing Underwriter, Joint Underwriters, Company Secretaries, Principal Banker, Share Registrar, IMR, SRK Consulting (Australasia) Pty Ltd, Signum Law Firm and the Solicitors for the Rights Issue with Warrants to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before issuance of this Abridged Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors/Reporting Accountants to the inclusion in this Abridged Prospectus of their names and letters relating to the audited consolidated financial statements of our Group for the the past three (3) FYEs 31 December 2010, 31 December 2011 and 31 December 2012 and the proforma consolidated statement of financial position of our Group as at 31 December 2012 together with the Reporting Accountants' letter thereon, in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not subsequently been withdrawn.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at our Registered Office at No Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

(a) The Memorandum and Articles of Association of Sumatec;

(b) The audited consolidated financial statements of Sumatec for the past three (3) FYE 31 December 2010, 31 December 2011 and 31 December 2012;

(c) Unaudited interim financial statements of our Group for the six (6)-month FPE 30 June 2013;

(d) The proforma consolidated statement of financial position of our Group as at 31 December 2012 together with the Reporting Accountants' letter thereon, referred to in **Appendix V** of this Abridged Prospectus;

(e) The letters of consent and declarations referred to in paragraph 2 above;

(f) The material contracts referred to in paragraph 3 above;

(g) The Directors' Report referred to in **Appendix VIII** of this Abridged Prospectus;

(h) The Deed Poll;

(i) The Undertakings;

(j) The cause papers for the material litigation referred to in paragraph 5 above; and

(k) IMR Report.

8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

M&A Securities, being the Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.

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