

**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 2011**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-Jun-11 RM'000	Preceding Year Corresponding Quarter 30-Jun-10 RM'000	Current Year To Date 30-Jun-11 RM'000	Preceding Year Corresponding Period 30-Jun-10 RM'000
<b>Revenue</b>	<b>50,021</b>	37,285	<b>96,899</b>	85,527
Operating expenses	(40,692)	(40,135)	(82,472)	(80,087)
Other Operating Income	2,937	10,544	9,486	10,964
<b>Profit from Operations</b>	<b>12,266</b>	7,694	<b>23,913</b>	16,404
Interest expenses	(8,596)	(7,031)	(17,529)	(15,106)
Interest income	-	510	-	551
Share of profit/(loss) of associated companies	-	-	-	-
Exceptional Items	-	-	-	-
<b>Profit before taxation</b>	<b>3,670</b>	1,173	<b>6,384</b>	1,849
Taxation	(1)	7	(4)	22
Loss on disposal of Subsidiary Company	-	-	-	-
<b>Profit for the period</b>	<b>3,669</b>	1,180	<b>6,380</b>	1,871
Attributable To:				
Equity holders of the parent	813	1,162	(290)	1,854
Minority interest	2,856	18	6,670	17
	<b>3,669</b>	1,180	<b>6,380</b>	1,871
<b>Earnings/(loss) per share</b>				
(a) Basic earnings per share (sen)	<b>0.38</b>	0.72	<b>(0.14)</b>	1.15
(b) Diluted earnings per share(sen)	<b>0.38</b>	0.72	<b>(0.14)</b>	1.15

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial reports.

**SUMATEC RESOURCES BERHAD**Company No. 428355-D  
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT**

	<b>UNAUDITED GROUP 30-Jun-11 RM'000</b>	<b>AUDITED GROUP 31-Dec-10 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current assets</b>		
Property, Plant And Equipment	644,921	680,600
Investment In Associated Companies	-	-
Jointly Controlled Entities	-	-
Other Investments	-	-
Development Expenditure	-	-
Intangible Assets	37,165	37,165
Prepaid Leasehold Land	-	-
Properties under Development	211	211
Deferred Tax Assets	11,944	11,939
	<u>694,241</u>	<u>729,915</u>
<b>Current assets</b>		
Amount Due from Customers for Contract Works	(6,754)	7,017
Trade and Other Receivables	50,317	70,480
Amount Due from Associated Companies	80	2
Tax Recoverable	2,004	1,918
Short Term and Portfolio Investments	4,700	5,029
Deposits, Cash and Bank Balances	357	290
	<u>50,704</u>	<u>84,736</u>
Non-current assets classified as held for sale	1,524	-
<b>TOTAL ASSETS</b>	<u><u>746,469</u></u>	<u><u>814,651</u></u>
<b>EQUITY AND LIABILITIES</b>		
Share Capital	75,027	56,271
Reserves	(39,781)	(39,491)
<b>Equity attributable to equity holders of the parent</b>	<u>35,246</u>	<u>16,780</u>
Minority Interest	75,922	69,252
<b>Total Equity</b>	<u><u>111,168</u></u>	<u><u>86,032</u></u>
<b>Non-current liabilities</b>		
Long Term Borrowings	481,901	513,539
Long Term Payable	16,890	10,318
Deferred Tax Liabilities	-	-
	<u>498,791</u>	<u>523,857</u>
<b>Current liabilities</b>		
Trade and Other Payables	74,650	139,786
Overdraft and Short Term Borrowings	61,860	64,976
Amount Due to Customers for Contract Works	-	-
	<u>136,510</u>	<u>204,762</u>
<b>Total Liabilities</b>	<u><u>635,301</u></u>	<u><u>728,619</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>746,469</u></u>	<u><u>814,651</u></u>
<b>NET ASSETS PER SHARE (RM)</b>	<b>0.16</b>	<b>0.10</b>

*The condensed balance sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial reports.*

**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 2011**

	← Attributable to Equity Holder of the Parent →			Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Non-Distributable Reserve RM'000	Distributable Retained Profit RM'000			
Balance as at 1 January 2010	160,773	3,233	(113,076)	50,930	341	51,271
Pre-Acquisition results		1,399	562	1,961		1,961
Profit / (Loss) for Disposal of Subsidiary			(23,129)	(23,129)	62,078	38,949
Capital Reduction	(104,502)	17,187	87,315	-		-
Net profit for the period	-		(12,982)	(12,982)	6,833	(6,149)
Balance as at 31 Dec 2010	56,271	21,819	(61,310)	16,780	69,252	86,032
<b>Balance as at 1 January 2011</b>	<b>56,271</b>	<b>21,819</b>	<b>(61,310)</b>	<b>16,780</b>	<b>69,252</b>	<b>86,032</b>
<b>Issue of shares pursuant to: - Rights Issue</b>	<b>18,756</b>	<b>-</b>		<b>18,756</b>		<b>18,756</b>
<b>Net profit for the period</b>	<b>-</b>		<b>(290)</b>	<b>(290)</b>	<b>6,670</b>	<b>6,380</b>
<b>Balance as at 31 Dec 2011</b>	<b>75,027</b>	<b>21,819</b>	<b>(61,600)</b>	<b>35,246</b>	<b>75,922</b>	<b>111,168</b>

*The condensed statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial reports.*

**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 2011**

	<b>GROUP 30-Jun-11 RM'000</b>	<b>GROUP 31-Dec-10 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,384	3,823
Adjustments for:		
Depreciation of property, plant and equipment	14,962	53,440
Interest expenses	17,528	30,583
Gain on disposal of fixed assets	(2,223)	(9,536)
<b>Operating profit before changes in working capital</b>	<b>36,651</b>	<b>78,310</b>
Changes in working capital:-		
(Increase)/decrease in work in progress	13,772	6,254
(Increase)/decrease in trade and other receivables	20,084	5,691
Increase/(decrease) in trade and other payables	(46,537)	49,269
<b>Cash generated from / (used in ) operations</b>	<b>23,970</b>	<b>139,524</b>
Interest paid	(17,528)	(30,583)
Tax (paid)/recovered	(85)	(126)
<b>Net cash generated from / (used in) operating activities</b>	<b>6,357</b>	<b>108,815</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of share in subsidiary company	-	-
Purchase of property, plant and equipment	-	-
Purchase of investment	-	7,000
Deposits paid for Disposal of subsidiary company	-	44,100
Disposal of property, plant and equipment	12,240	18,161
Properties Development Expenditure	-	-
<b>Net cash from / (used in) investing activities</b>	<b>12,240</b>	<b>69,261</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds received from rights issue	18,757	-
Proceeds from loans and other borrowings	-	-
Repayment of loans and other borrowings	(35,238)	(170,768)
Repayment of hire purchase and lease financing	(2,687)	474
Deposits pledged with licensed banks	-	-
Withdrawal of fixed deposits	-	-
Drawdown of hire purchase and lease financing	-	87
<b>Net cash from / (used in) financing activities</b>	<b>(19,168)</b>	<b>(170,207)</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENT</b>	<b>(571)</b>	<b>7,869</b>
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR</b>	<b>(12,397)</b>	<b>(20,265)</b>
<b>CASH AND CASH EQUIVALENT AT END OF THE YEAR</b>	<b>(12,968)</b>	<b>(12,396)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Deposits not pledged with licensed banks	-	-
Cash and Bank Balances	357	290
Bank Overdraft	(13,325)	(12,686)
	<b>(12,968)</b>	<b>(12,396)</b>

*The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial reports.*

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## INTERIM FINANCIAL REPORT

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### 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 FRS 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 2010. 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 2009.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended 31 December 2010 except for the accounting policy changes arising from the adoption of the following new and revised Financial Reporting Standards (“FRS”) effective from 1 January 2006:-

FRS 3 Business Combinations  
FRS 101 Presentation of Financial Statements  
FRS 102 Inventories  
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors  
FRS 110 Events after the Balance Sheet Date  
FRS 116 Property, Plant and Equipment  
FRS 121 The Effects of Changes in Foreign Exchange Rates  
FRS 127 Consolidated and Separate Financial Statements  
FRS 131 Interests in Joint Ventures  
FRS 132 Financial Instruments: Disclosure and Presentation  
FRS 133 Earnings Per Share  
FRS 136 Impairment of Assets  
FRS 138 Intangible Assets  
FRS 140 Investment Property

The adoption of FRSs does not have significant financial impact on the Group for the current quarter under review. The principal effects of the changes in accounting policies resulting from the adoption of the FRSs are disclosed below:

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 requires the goodwill to be carried at cost less accumulated impairment losses and to be tested for impairment annually or more frequently if events or changes in circumstances indicate that it

## **INTERIM FINANCIAL REPORT**

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might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed.

(b) **FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**A2 Audit report of preceding annual financial statement**

The audited financial statements of the Company for the year ended 31 December 2010 were 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.

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**A7 Dividend Paid**

There were no dividends declared or paid during the quarter under review.

**A8 Segment Information**

The Group is principally engaged in providing services within oil, gas, and petrochemical industry and shipping industry, mining industry and provision of related services.

	<b>Current Year</b>	
	<b>Quarter ended</b>	
	<b>31-Mar-2011</b>	
	<b>Revenue</b>	<b>Profit before tax</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
EPCC	16,066	(923)
Shipping	80,833	13,613
Other	-	(6,306)
	96,899	6,384
	96,899	6,384

**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 current financial quarter to 31 Dec 2011, which is likely to substantially affect the results of the operations of the Group.

**A11 Changes in the composition of the Group**

There were no changes in the composition of the Group during the current financial quarter.

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**A12 Contingent liabilities**

The Company has given corporate guarantees amounting to RM628 million as at 30 June 2011 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 RM464 million as at 30 Jun 2011.

**A13 Capital Commitments**

Authorised capital commitments not provided for in the interim financial statements as at 30 Jun 2011 are as follows :

	RM'000
Contracted	-
Not contracted	-
	<hr/>
	<hr/>
Analysed as follows:	
- Property, plant and equipment	-
- Investment	-
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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES  
BERHAD'S LISTING REQUIREMENTS****B1 Review of Performance**

The Group recorded a revenue of RM50.02 million and Profit before taxation of RM3.67 million for the second quarter ending 30 Jun 2011. As compared to the quarter ending 31 Mac 2011, the Group's turnover has increased by RM3.14 million whereas Profit before taxation has increased by RM0.96 million from RM46.88 million and Profit RM2.71 million respectively.

**B2 Variation of results against preceding quarter**

Compared to the preceding year corresponding quarter, the Group's turnover for the current quarter has increased by RM12.73 million from RM37.29 million to RM50.02 million. The profit before taxation has increased by RM2.5 million from RM1.17 million to RM3.67 million. The increase in profit in this quarter result was mainly attributable to higher profit from shipping division.

**B3 Prospects**

The Group is mindful of the outlook for the EPCC business in this coming year remains highly uncertain and will continue to undertake initiative to control the expenditure and intensify efforts to secure more contracts.

**B4 Variance on Forecast Profit/Profit Guarantee**

The group does not announce any profit forecast nor profit guarantee during the financial quarter.

**B5 Taxation**

	Current Year Quarter Ended 30-Jun-11 RM'000	12 months ended 31-Dec-11 RM'000
Current taxation	1	4
(Over)/Under-provision in the prior year	-	-
Deferred taxation	-	-
	<u>1</u>	<u>4</u>

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**INTERIM FINANCIAL REPORT****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 except those mentioned in Changes in the composition of the Group in section A11

**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**

The Rights issue which was approved by the shareholders on 21 May 2010 was completed on 10 March 2011. The status of the utilization of proceeds raised from Rights Issue as at 31 March 2011 are as follows:-

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Deviation RM'000</b>	<b>Remarks</b>
Repayment of Bank Borrowings	5,800	-	-	-
Working Capital requirements	15,070	(12,242)	2,828	To be utilized within 12 months from the date of listing of rights shares
Estimated Expenses	700	(611)	89	Adjusted to the allocation for working capital of the Sumatec Group
	<u>21,570</u>	<u>(12,853)</u>	<u>8,717</u>	

**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: -

	<u>Secured RM'000</u>	<u>Unsecured RM'000</u>
Short term borrowings	61,860	-
Long term borrowings	401,901	80,000
	<u>463,761</u>	<u>80,000</u>

**B10 Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk issued during the quarter under review.

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### **B11 Material Litigation**

Save as disclosed below, the Sumatec Group is not engaged in any material litigation either as plaintiff or defendant, claims or arbitration and the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the income from, title to, or possession of any of the Sumatec Group's assets and/or businesses:-

**(i) In the matter of KLRCA Arbitration  
Foster Insulation Sdn Bhd ("FISB") v SCSB**

SCSB had appointed FISB as its sub-contractor in respect of insulation work for the ABF Ammonia and Urea Plant Revamp Project in Bintulu, Sarawak. FISB issued a Notice of Arbitration on 18/10/2005, claiming the sum of RM2,210,781.14. SCSB filed its Defence and Counter claim for a sum of RM4,838,050.30. The matter has been fully heard.

**Current Status :** Arbitrator has awarded a sum of RM1,020,582.70 as damages plus interest of 8% on that sum from 18.10.05 to date of full settlement plus costs of RM74,250.00 being costs of the award. . Subsequent to that, parties had reached an amicable settlement arrangement whereby SCSB was to pay the amount owing pursuant to the Award by way of installments. After having paid the first installment, SCSB was not able to pay the balance. As a result of which, Foster has commenced winding up proceedings. It is now fixed for hearing on 09/08/11.

**(ii) KL High Court Suit No. D22-NCC 1222-2010  
SCSB vs. Perbadanan Industri Halal Berhad ("PIHB")**

A Writ and Statement of Claim was filed on 22/06/10 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. Due to SCSB not being given site possession as per the contract, SCSB was not only unable to commence work but also prevented from claiming for advance payment. SCSB's claim against PIHB is for an amount of RM4,389,000.00 being expenses incurred thus far by SCSB and the earnest deposit of RM2.5 million paid to PIHB plus interest and costs.

**Current Status:** Consent judgement was entered on 13/04/11 whereby Halal-Hub is to pay SCSB, RM3million by way of 10 installments. They have however defaulted on their payments after having paid only the first installment.

**Halal Hub was wound up on 25/07/11 and SCSB is in the midst of filling its proof of debt.**

**(iii) Federal Court Appeal No.08(1)-55-2011 (W)  
Court of Appeal Civil Appeal No. W-02(1M)(NCC)3223-2010  
KL High Court Suit D22NCC-1123-2010  
Sumatec Engineering and Construction Sdn Bhd ("SECSB") vs. Malaysian Refining Company  
Sdn Bhd ("MRC")**

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An ex parte Summons in Chamber was filed in the High Court in Kuala Lumpur by SECSB against MRC on 4 June 2010 to obtain an injunction to restrain MRC from calling on the performance bond dated 13 October 2008 issued by Bank Islam. The performance bond was provided by SECSB to guarantee SECSB's performance of the Design, Supply, Fabrication & Erection of Structural Steel (Main) Contract for the Melaka Refinery PSR-2 Revamp Project and is for a sum of RM4, 784,668.80.

An interim injunction was granted by the Court on 4 June 2010 preventing MRC from calling on the performance bond. MRC has subsequently filed an application to set aside the injunction. The High Court subsequently dismissed the said application with costs.

MRC then filed an appeal to the Court of Appeal appealing against the High Court decision.

MRC's appeal against SECSB was allowed by the Court of Appeal on 19/02/11. Subsequently, SECSB has obtained leave to file an appeal to the Federal Court against the Court of Appeal decision. SECSB has also in the interim on 21/02/11 obtained an injunction against MRC to restrain MRC from calling on the performance bond pending disposal of the appeal.

**Current Status: The Federal Court appeal is fixed for hearing on 01/08/11. Arbitration proceedings have also been initiated.**

(iv) **KL High Court Suit 22 NCVC-378-2011  
Homewise Construction Sdn Bhd ("Homewise") v SCSB**

A Writ and Statement of Claim was filed on 11/05/11 in the High Court in Kuala Lumpur by Homewise against SCSB. Homewise was appointed by SCSB as a sub-contractor to do some works in relation to the Kemaman Biodiesel Project. Homewise is claiming that SCSB owes them a sum of RM654,651.50 for work done.

**Current Status: Hearing is fixed for 10/06/11. Judgement in default has been obtained against SCSB.**

**B12 Dividends**

No dividend has been recommended during the quarter under review.

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**B13 Earnings Per Share (Sen)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-Jun-11 RM'000	Preceding Year Corresponding Quarter 30-Jun-10 RM'000	Current Year To Date 30-Jun-11 RM'000	Preceding Year Corresponding Period 30-Jun-10 RM'000
<b>Basic earnings per share</b>				
Net profit attributable to shareholders	813	1,162	(290)	1,854
Number of ordinary shares at the beginning of the period	160,773	160,773	160,773	160,773
Capital Reduction - rights issue (weighted average)	53,591		53,591	
Weighted average number of shares at the end the period	214,364	160,773	214,364	160,773
Basic earnings per share (sen)	0.38	0.72	(0.14)	1.15

**B14 Disclosure of Realised And Unrealised Profits/Loss**

	Group RM	Company RM
Total Retained Earning/(Accumulated losses) of the Company and its Subsidiary companies		
-Realised	(97,110,120)	44,842,462
-Unrealised	35,510,120	
	(61,600,000)	44,842,462

*The disclosure of realized and unrealized 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.*