

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

The Group recorded a revenue of RM45.22 million and a Loss before taxation of RM46.62 million for the fourth quarter ending 31 Dec 2011. As compared to the quarter ending 30 Sept 2011, the Group's turnover has increased by RM2.37 million from the EPCC Division, whereas Loss before taxation has increased by RM45.99 million from Loss RM42.85 million and RM0.62 million respectively.

The increase in Loss before taxation for the fourth quarter ending 31 Dec 2011, was mainly attributable to the impairment of goodwill, allowance of impairment of trade receivables and increase in interest cost amounting to RM34.7 million, RM7.95 million and RM4.7 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 decreased by RM13.97 million from RM59.19 million to RM45.22 million. The loss before taxation has increased by RM35.31 million from RM10.84 million to a loss of RM46.15 million. The increase in loss in this quarter result was mainly attributable to impairment of goodwill.

B3 Prospects

The Group is aware of the current status of the company and is taking steps to restructure the Group, in the meantime, we are still pursuing the tendering for various contracts in preparation for the regularization plan.

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 31-Dec-11 RM'000	12 months ended 31-Dec-11 RM'000
Current taxation	12,754	12,760
(Over)/Under-provision in the prior year	-	-
Deferred taxation	-	-
	<u>12,754</u>	<u>12,760</u>

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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

MEMORANDUM OF UNDERSTANDING

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 16 January 2012, M&A Securities Sdn Bhd on behalf of the Company has announced that the parties to the Framework Agreement have mutually extended the PSC Execution Deadline and the Due Diligence Deadline to 15 February 2012.

On 16 February 2012, M&A Securities Sdn Bhd on behalf of the Board of Sumatec wishes to announce that the parties to the Framework Agreement have mutually agreed to:-

- (i) Rename the PSC referred to in the Framework Agreement to a joint investment agreement (“JIA”) to comply with the regulatory requirements in Kazakhstan. The salient features of the PSC as enclosed in the announcement dated 29 November 2011 shall now be applicable to the JIA.
- (ii) Extend the Execution Deadline and Due Diligence Deadline to 2 April 2012 to further assess the terms and conditions of the JIA.

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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.

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	63,708	-
Long term borrowings	372,900	80,000
	<u>436,608</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.

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 16/04/12.

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- (ii) **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”)

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 was heard on 01/08/11. Decision reserved. Arbitration proceedings have also been initiated.

- (iii) **KL High Court Suit 22 NCC-867-2011**
SCSB v Usahasama SPNB-LTAT Sdn Bhd (“SPNB”)

Pursuant to a turnkey contract, SCSB was appointed by SPN as the turnkey contractor to carry out and complete the Project known as Cadangan Pembangunan Perumahan Anggota-Anggota Tentera dan Kakitangan Kerajaan di Lembah Kelang.

SCSB is claiming for balance for payment in respect of work done in relation to the said project.

Current Status : Matter settled amicably out of court.

- (iv) **KL High Court Suit 22 NCC-1570-09/2011**
Sumatec Corporation Sdn Bhd (“SCSB”) v Himpunan Sari Sdn Bhd (“HSSB”)

SCSB filed a suit against HSSB in relation to the 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 MTPY Biodiesel Facilities (“the Contract”). SCSB had filed and obtained an Ex-Parte Injunction against HSSB restraining the call on the Bank Guarantee.

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In the injunction proceedings, SCSB is seeking declarations to the effect that SCSB has no right to call upon the Bank Guarantee provided by SCSB. Inter parties hearing of injunction was heard on 10/01/2012 and SCSB was successful in obtaining an injunction pending disposal of the main suit. This matter is now fixed for case management on 07/03/2012.

(v) **Kuala Lumpur High Court Suit No. D5-22-340-2008
Kenneison Construction Materials Sdn Bhd (“KCM”) v. SCSB & Sumatec Resources Berhad
 (“SRB”)**

KCM claims that SCSB owes them money for goods sold and delivered to SCSB while the claim against SRB is based on the Corporate Guarantee provided by SRB dated 05/02/07 for RM2,000,000.00. Defence has been filed on behalf of both SCSB and SRB. Summary Judgement application has been filed.

**Current Status: KCM was successful in obtaining Summary judgement against SCSB and SRB.
Payment still due to KCM.**

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
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
	RM’000	RM’000	RM’000	RM’000
Basic earnings per share				
Net profit attributable to shareholders	(63,375)	(14,393)	(68,791)	(35,491)
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)	(29.56)	(8.95)	(32.09)	(22.08)

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B14 Disclosure of Realised And Unrealised Profits/Loss

	Group RM'000	Company RM'000
Total Retained Earning/(Accumulated losses) of the Company and its Subsidiary companies		
-Realised	(153,052)	(117,021)
-Unrealised	22,951	
	<hr/> (130,101) <hr/>	<hr/> (117,021) <hr/>

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.