

INTERIM FINANCIAL REPORT

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Performance

Similar to the preceding year corresponding quarter, the Group did not earn any revenue for the current quarter. The profit before taxation has increased by RM131.95 million from loss of RM41.38 million to profit of RM90.57 million. The increase in profit in this quarter was mainly attributable to the one-off waiver of debts of RM85.27 million and write back of impairment on receivables of RM12.05 million arising from the group's regularization exercise completed in this current quarter. In addition, the disposal of the shipping business during the quarter has also improved the Group's profit before taxation as the shipping business incurred a loss of RM35.10 million in the corresponding quarter last year.

B2 Variation of results against preceding quarter

The Group recorded no revenue and a profit before taxation of RM90.57 million for the 4th quarter ended 31 December 2013. As compared to the quarter ended 30 Sept 2013, the Group's turnover remained unchanged whereas profit before taxation has increased by RM99.05 million from a loss of RM8.48 million. The increase in profit was mainly attributable to write back of impairment on receivables of RM12.05 million arising from the group's regularization exercise completed in this current quarter and as well as the one-off waiver of debts of RM85.27 million. Other contributing factors include net gain from disposal of the shipping business and lower interest accrued on loan following from the completion of the settlement of scheme creditors during the current quarter.

B3 Prospects

The Company had successfully completed its regularization plan on 21st November 2013 and took over the operations of the Rakushechnoye Oil & Gas Field on 25th November 2013. The Company plans to carry out work-overs and side tracks for at least 16 wells in the next 12 months. Barring unforeseen circumstances the Company should be able to produce 2,000 barrels per day in 2014 and meet the profit forecast for the financial year ending 31st December 2014.

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B4 Variance on Forecast Profit

As per the circular to shareholders dated 30th May 2013, the Company forecasted a net profit attributable to owners of the Company of RM86.02 million for the financial year ended 31st December 2013. The Company now reports a net profit attributable to owners of the Company of RM76.96 million. The explanation on the variance between profit forecast and the unaudited result is tabulated below:

	Profit Forecast RM '000	Unaudited result RM '000	Variance RM '000	Explanation
Operation on profit/(loss)	(5,378)	(8,307)	(2,929)	Delay in completion of the rights issue resulted in delay in starting oil production operations.
One –off gain from debt waiver and disposals of investment and property	90,262	85,266	(4,996)	
Gain on disposal of property	1,133	-	(1,133)	Delay in completion of the disposals of property.
Profit attributable to owners	<u>86,017</u>	<u>76,959</u>	<u>(9,058)</u>	

B5 Taxation

	Current Year Quarter Ended 31-Dec-13 RM'000	12 months ended 31-Dec-13 RM'000
Current taxation	<u>151</u>	<u>370</u>

B6 Unquoted investments and/or properties

There were no purchase or sale of unquoted securities during the financial quarter under review and financial year to date.

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B7 Quoted securities

There were no purchases or sale of quoted securities during the financial quarter under review and financial year to date.

B8 a) Status of corporate proposals**PROPOSED PRIVATE PLACEMENT OF UP TO 308,596,000 NEW ORDINARY SHARES**

On 28 Jan 2014, the Company announced the proposed private placement of up to 308,596,000 new ordinary shares of RM0.14 each in the Company, representing ten percent (10%) of the total issued and paid-up share capital of the Company, to independent third party investor(s) to be identified (“Proposed Private Placement”). Approval from Bursa Securities Berhad for the listing of these new shares was sought on 29th January 2014.

b) Utilisation of proceeds from rights shares and special issue of shares

Purpose	Proposed utilisation	Actual utilisation	Intended timeframe for utilisation	Deviation Amount	%	Explanations
	RM ‘000	RM ‘000		RM ‘000		
Payment under JIA						
i) Signature Bonus	31,000	31,800	Within 12 months	800		Impact of the devaluation of Ringgit.
ii) Cost reimbursement	263,500	270,300		6,800		
iii) Performance deposit	124,000	127,200		3,200		
Working capital & expenses	37,482	26,682	Within 24 months	(10,800)		
Total	<u>455,982</u>	<u>455,982</u>		<u>-</u>		

B9 Group borrowings and debt securities

The Group does not have or issue any debt securities during the quarter under review.

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, 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 date of this announcement.

**(a) Kuala Lumpur High Court Suit No. D5-22-340-2008
Kenneison Construction Materials Sdn Bhd (“KCM”) vs. Sumatec Corporation Sdn Bhd & 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. The settlement shares were issued on 21st November 2013.

**(b) Kuala Lumpur High Court Suit No. D22-NCC1222-2010
Sumatec Corporation Sdn Bhd(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 defaulted on payments after having made the first payment. PIHB has subsequently been wound-up. SCSB has filed its proof of debt on 20 September 2013.

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(c) **Kuala Lumpur High Court Suit No. 22NCC-1570-09/2011
Sumatec Corporation Sdn Bhd(SCSB) v Himpunan Sari Sdn Bhd (“HSSB”)**

SCSB filed a suit against HSSB in relation to HSSB’s call on a Bank Guarantee of RM5.77 million 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. In the injunction proceedings SCSB sought for 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 entered into negotiations and arbitration.

Current Status: The Kuala Lumpur High Court fixed the date of 24 October 2013 for case management which was not attended by the representatives of both SCSB and HSSB. SCSB does not intend to proceed with arbitration proceedings. SCSB’s solicitors had applied to discharge themselves from acting for SCSB on 26 August 2013. There has been no status on the application since then.

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-13	31-Dec-12	31-Dec-13	31-Dec-12
	RM’000	RM’000	RM’000	RM’000
Basic earnings/(loss) per share				
Net profit/(loss) attributable to shareholders	100,585	(58,219)	76,959	(99,735)
Number of ordinary shares (‘000)				
at the beginning of the period	214,364	214,364	214,364	214,364
Increase in Share Capital				
- special issue, creditors’ settlement and rights issue (weighted average)	322,451	-	322,451	-
Weighted average number of shares at the end the period (‘000)	536,815	214,364	536,815	214,364
Basic earnings/(loss) per share (sen)	18.74	(27.16)	14.34	(46.53)

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B14 Disclosure of Realised And Unrealised Loss

	Group RM'000	Company RM'000
Total accumulated losses of the Company and the Group		
- Realised	(122,175)	(120,624)
- Unrealised	(1,254)	-
	<hr/> (123,429)	<hr/> (120,624)

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.