

SUMATEC RESOURCES BERHADCompany No. 428355-D
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Individual Quarter		Cumulative Quarter	
		Current Year 31-Dec-16 RM'000	Preceding Year Corresponding Quarter 31-Dec-15 RM'000 Restated	Current Year To Date 31-Dec-16 RM'000	Preceding Year Corresponding Period 31-Dec-15 RM'000 Restated
Revenue	A8	8,108	6,116	46,407	62,583
Other income		11,934	5,164	28,418	21,917
Operating expenses		(19,730)	(22,951)	(42,730)	(47,583)
Operating profit / (loss)		312	(11,671)	32,095	36,917
Finance costs		(582)	2,996	(2,303)	(6,685)
Profit / (Loss) before taxation	A8	(270)	(8,675)	29,792	30,232
Tax expense	B5	1,783	154	(2,420)	(523)
Profit / (Loss) for the financial period		1,513	(8,521)	27,372	29,709
Other comprehensive income					
- Foreign currency translation differences for foreign operations		508	(2,042)	656	(2,718)
Total comprehensive income / (loss) for the period		2,021	(10,563)	28,028	26,991
Profit / (loss) for the financial period attributable to:					
Owners of the Company		1,513	(8,521)	27,372	29,709
Non-controlling interests		-	31	-	31
Net profit / (loss) for the financial period		1,513	(8,490)	27,372	29,740
Total comprehensive income / (loss) for the financial period attributable to:					
Owners of the Company		2,021	(10,594)	28,028	26,960
Non-controlling interests		-	31	-	31
Total comprehensive income / (loss) for the financial period		2,021	(10,563)	28,028	26,991
Earnings / (loss) per share	B13				
(a) Basic earnings / (loss) per share (sen)		0.04	(0.24)	0.73	0.85
(b) Diluted earnings / (loss) per share (sen)		0.04	(0.24)	0.73	0.85

SUMATEC RESOURCES BERHAD

Company No. 428355-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	31-Dec-16 RM'000	Restated 31-Dec-15 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A9	1,999	4,352
Intangible asset		300,684	301,407
Development cost		96,278	76,347
Trade and other receivables		131,036	156,213
Total non-current assets		<u>529,997</u>	<u>538,319</u>
Current assets			
Trade and other receivables		309,231	225,783
Amount due from associate companies	A13	-	5,635
Fixed deposit with a licensed bank		230	230
Cash and bank balances		141	895
Total current assets		<u>309,602</u>	<u>232,543</u>
Non-current assets classified as held for sale	A13	-	17,000
TOTAL ASSETS		<u><u>839,599</u></u>	<u><u>787,862</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company:			
Share capital	A6	541,256	490,146
Other reserves		322,611	327,112
Accumulated losses		(145,204)	(174,834)
		<u>718,663</u>	<u>642,424</u>
Non-controlling interests		-	-
Total equity		<u>718,663</u>	<u>642,424</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,323	1,023
Total non-current liabilities		<u>3,323</u>	<u>1,023</u>
Current liabilities			
Trade and other payables		39,337	47,592
Amount due to related party		78,159	74,000
Term loans	A13, B9	-	22,530
Tax payable		117	293
Total current liabilities		<u>117,613</u>	<u>144,415</u>
TOTAL LIABILITIES		<u>120,936</u>	<u>145,438</u>
TOTAL EQUITY AND LIABILITIES		<u><u>839,599</u></u>	<u><u>787,862</u></u>
NET ASSETS PER SHARE (RM)		0.191	0.184

The condensed statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company							Total	Non-controlling Interests	Total Equity
	Share Capital		Non-distributable		Capital reserve		Accumulated losses			
	RM'000	RM'000	Warrant reserve RM'000	Employee share option reserve RM'000	reserve RM'000	reserve RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	490,146	165,756	142,580	4,211	17,187	(2,622)	(166,378)	650,880	-	650,880
- As previously reported	-	-	-	-	-	-	(8,456)	(8,456)	-	(8,456)
- Effect of prior year adjustment	-	-	-	-	-	-	-	-	-	-
- As restated	490,146	165,756	142,580	4,211	17,187	(2,622)	(174,834)	642,424	-	642,424
Other comprehensive income for the financial period	-	-	-	-	-	656	-	656	-	656
Net profit for the financial period	-	-	-	-	-	-	27,372	27,372	-	27,372
Total comprehensive income for the financial period	-	-	-	-	-	656	27,372	28,028	-	28,028
Transactions with owners:										
Exercise of ESOS	2,352	50	-	-	-	-	-	2,402	-	2,402
Employee share options forfeited	-	-	-	(4,059)	-	-	2,258	(1,801)	-	(1,801)
Employee share options granted	-	-	-	614	-	-	-	614	-	614
Private placement	48,758	-	-	-	-	-	-	48,758	-	48,758
Share issuance expense	-	(1,762)	-	-	-	-	-	(1,762)	-	(1,762)
Total transactions with owners	51,110	(1,712)	-	(3,445)	-	-	2,258	48,211	-	48,211
Transferred to share premium for ESOS exercised	-	517	-	(517)	-	-	-	-	-	-
Balance as at 31 December 2016	541,256	164,561	142,580	249	17,187	(1,966)	(145,204)	718,663	-	718,663
Balance as at 1 January 2015	487,577	165,138	142,580	4,379	17,187	95	(206,364)	610,592	(31)	610,561
- As previously reported	-	-	-	-	-	-	(306)	(306)	-	(306)
- Effect of prior year adjustment	-	-	-	-	-	-	-	-	-	-
- As restated	487,577	165,138	142,580	4,379	17,187	95	(206,670)	610,286	(31)	610,255
Other comprehensive income for the financial period	-	-	-	-	-	(2,718)	-	(2,718)	-	(2,718)
Net profit for the financial period	-	-	-	-	-	-	37,828	37,828	31	37,859
- As previously reported	-	-	-	-	-	-	-	-	-	-
- Effect of prior year adjustment	-	-	-	-	-	-	(8,150)	(8,150)	-	(8,150)
Total comprehensive income for the financial period	-	-	-	-	-	(2,718)	29,678	26,960	31	26,991
Transactions with owners:										
Exercise of ESOS	2,569	55	-	-	-	-	-	2,624	-	2,624
Share issuance expenses	-	(2)	-	-	-	-	-	(2)	-	(2)
Employee share options forfeited	-	-	-	(2,221)	-	-	2,158	(63)	-	(63)
Employee share options granted	-	-	-	2,619	-	-	-	2,619	-	2,619
Total transactions with owners	2,569	53	-	398	-	-	2,158	5,178	-	5,178
Transferred to share premium for ESOS exercised	-	565	-	(565)	-	-	-	-	-	-
Balance as at 31 December 2015	490,146	165,756	142,580	4,212	17,187	(2,623)	(174,834)	642,424	-	642,424

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes to this interim financial report.

SUMATEC RESOURCES BERHADCompany No. 428355-D
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	31-Dec-16	Restated
	RM'000	31-Dec-15
		RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	29,792	30,232
Adjustments for:		
Depreciation of property, plant and equipment	538	727
Amortisation of intangible asset and development cost	1,176	463
Finance cost	2,303	15,490
Interest income	(29)	(10)
Unrealised loss/ (gain) on foreign exchange	(13,005)	(21,424)
Share option granted under ESOS, net of forfeiture	(1,188)	2,557
Property, plant and equipment written off	1,816	5
Impairment of receivables	6,280	-
Reversal of discount on other payable	-	7,955
Operating profit before changes in working capital	27,683	35,995
Changes in working capital:		
Trade and other receivables	(69,686)	(17,967)
Trade and other payables	(7,843)	(21,114)
Cash used in operations	(49,846)	(3,086)
Interest (paid)/ received	(10)	8
Tax paid	(296)	(12)
Net cash used in operating activities	(50,152)	(3,090)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(21)
Net cash generated from investing activities	-	(21)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of expenses	49,398	2,622
Net cash generated from financing activities	49,398	2,622
CASH AND CASH EQUIVALENTS		
Net increase / (decrease)	(754)	(489)
At beginning of financial year	1,125	1,614
At end of the financial period	371	1,125
CASH AND CASH EQUIVALENTS:		
Fixed deposit with a licensed bank	230	230
Cash and bank balances	141	895
	371	1,125

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes to this interim financial report.

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 Malaysian Financial Reporting Standard (“MFRS”) 134 - Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Company and the Group for the financial year ended 31 December 2015. The 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 2015.

The financial information presented in this interim report has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the MFRSs and Amendments to MFRSs effective as of 1 January 2016:

MFRS effective 1 January 2016

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRSs effective 1 January 2016

MFRS 10 Consolidated Financial Statements: Investment Entities- Applying the Consolidation Exception

MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

MFRS 12 Disclosure of Interests in Other Entities: Investment Entities – Applying the Consolidation Exception

MFRS 101 Presentation of Financial Statements: Disclosure Initiative

MFRS 116 Property, Plant and Equipment: Clarification of Acceptable Methods of Amortisation

MFRS 116 Property, Plant and Equipment – Agriculture: Bearer Plant

MFRS 127 Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements

MFRS 128 Investments in Associates and Joint Ventures: Investment Entities – Applying the Consolidation Exception

MFRS 138 Intangible Assets: Clarification of Acceptable Methods of Amortisation

MFRS 141 Agriculture: Agriculture – Bearer Plants

Annual Improvements 2012-2014 Cycle

The adoption of the above did not have any financial impact on the financial statements upon their initial application.

INTERIM FINANCIAL REPORT

A1 Basis of preparation (cont'd)

The Group has not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board but are not yet effective:

Amendments to MFRS effective 1 January 2017

MFRS 107	Statements of Cash Flow: Disclosure Initiative
MFRS 112	Income Taxes: Recognition of Deferred Tax Assets on Unrealised Losses
Annual Improvements to MFRS 2014-2016 Cycle	

MFRS and Amendments to MFRS effective 1 January 2018

MFRS 9	Financial Instruments (International Financial Reporting Standards 9 issued by International Accounting Standards Board in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	Investment Property – Transfers of Investment Property
Annual Improvements to MFRS 2014-2016 Cycle	

MFRS effective 1 January 2019

MFRS 16	Leases
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Amendments to MFRS (deferred, effective date to be announced by the MASB)

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impact to the financial statements, except for MFRS 9 and MFRS 15. The adoption of both standards will result in changes in accounting policy, and the Group is currently examining the impact of adopting these standards.

A2 Audit report of preceding annual financial statement

The audited financial statements of the Company and the Group for the year ended 31 December 2016 were not subject to qualification.

A3 Seasonal or cyclical factors

The operations of the Group are not subject to seasonal or cyclical fluctuations.

INTERIM FINANCIAL REPORT

A4 Unusual items

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 were 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 under review.

A7 Dividend paid

There were no dividends paid during the quarter under review.

A8 Segment information

The Group operates in a single reportable segment. It is essentially engaged in the management and oversight of the oil production operations at the Rakushechnoye Oil and Gas Field in Kazakhstan, and the provision of a study, design and planning of an integrated natural gas monetization programme in preparation of the exploitation of the gas / condensate in accordance to a detailed full field geological and geophysical study of the entire oil / gas concession area.

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

There were no other material events subsequent to the end of the current financial quarter, which are likely to substantially affect the results of the operations of the Group for the current quarter.

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A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A12 Contingent liabilities

The contingent liabilities arise from the corporate guarantee issued by the Company due to the previous sale and purchase agreements not being enforced by the previous management. The Company has given corporate guarantees to suppliers, licensed banks and financial institution for banking facility granted to and supply contracts with Semua International Sdn Bhd (“SISB”) group of companies (“Semua Group”) in 2008 when SISB was a subsidiary company. SISB became an associate company in 2013 and the investment in Semua Group were reclassified as non-current assets held for sale in the same year.

The current management is looking into a solution to resolve any shortfall arising from the corporate guarantee and all material litigations. The Company had, on 17 February 2017, entered into a framework agreement with Ken Makmur Holdings Sdn Bhd whereby Ken Makmur has agreed to pay for potential liabilities that may be incurred by the Company and its subsidiaries in relation to the above (subject to the completion of the proposed corporate exercise as further explained in note B8).

A13 Reclassification of asset held for sale and amount due from associate companies

The previous management did not enforce the sale and purchase agreements entered between 2014 and 2015. As a result, Markmore Sdn Bhd will be taking over the asset and associate term loan liability, and payment will be derived from the future oil sales. Based on the takeover by Markmore Sdn Bhd, the associate term loan liability will no longer affect the financial results of the Company.

A14 Capital commitments

The outstanding capital commitments as at 31 December 2016 are as follows:

	RM'000
Approved and contracted for – property, plant and equipment	<u>237</u>

INTERIM FINANCIAL REPORT

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS**B1 Review of performance**

For the current quarter under review, the Group recorded turnover of RM8.11 million from the gas development contract billing. Profit after tax in the fourth quarter of 2016 was RM1.51 million, as compared to the loss of RM8.52 million in the corresponding period last year. The current quarter result was affected by impairment of receivables, although the impact was partially offset by favourable foreign exchange gains on translation of receivables.

For the financial year ended 31 December 2016, the Group registered a smaller revenue of RM46.41 million as compared to a revenue of RM62.58 million in 2015, in tandem with the continued slowdown experienced in the oil and gas industry. This has resulted in profit after tax of RM27.37 million, which was marginally lower than the net profit recorded in 2015.

B2 Variation of results against preceding quarter

	Current Year Quarter 31-Dec-2016 RM'000	Immediate Preceding Quarter 30-Sep-2016 RM'000
Revenue	8,108	7,589
Profit / (Loss) before tax	(270)	14,955

Compared to the immediate preceding quarter ended 30 September 2016, the Group recorded higher revenue from the gas development contract due to favourable United States Dollar exchange rate conversion. However, the marginal loss before tax for the current quarter was mainly owing to the impairment of receivables.

B3 Prospects

2017 is expected to continue to be a challenging year due to the uncertainties in the global as well as the local economy. Thus, the Group will remain focus on operating expenditure optimisation to ensure it is resilient in the face of the current environment. In addition, the Group has recently announced a corporate proposal that is expected to enhance liquidity and contribute positively to the future earnings of the Group.

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Company No. 428355-D
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B4 Forecast profit

The Company has not issued any profit forecast for the financial period under review.

B5 Taxation

	Current Year Quarter 31-Dec-16 RM'000	Current Year To Date 31-Dec-16 RM'000
Income tax:		
- Current year provision	(4,083)	117
- Under provision in prior year	-	3
Deferred tax	<u>2,300</u>	<u>2,300</u>
	<u>1,783</u>	<u>2,420</u>

The effective tax rate of the Group for the current quarter and for the financial year ended 31 December 2016 were lower than the statutory tax rate mainly owing to utilisation of unabsorbed business losses brought forward from prior years.

B6 Unquoted investments and/or properties

There were no purchases or sales of unquoted securities during the current quarter under review and current 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.

INTERIM FINANCIAL REPORT

B8 Status of corporate proposals

(i) Proposed acquisition of 100% equity in Borneo Energy Oil & Gas Ltd (“Proposed Acquisition”)

The Proposed Acquisition, together with the Proposed Rights Issues with Warrants, Proposed Offer for Sale, Proposed IASC and Proposed Amendments are collectively known as the “Proposals”.

On 5 August 2016, the Company announced that it has submitted to Bursa Securities an application for further extension of time up to 21 May 2017 to complete the implementation of the Proposals (“EOT Application”). On 26 October 2016, representatives of the Company and Borneo Energy Oil & Gas Ltd have met with Bursa Securities to provide justification to the EOT Application. The Company has also replied in writing to subsequent queries made by Bursa Securities.

(ii) Proposed acquisition of 100% equity in Markmore Energy (Labuan) Limited

On 1 July 2016, the Company entered into a Heads of Agreement with Markmore Sdn Bhd (“Markmore”) for the purpose of recording the understanding and intention in respect of the proposed acquisition of 100% equity in Markmore Energy (Labuan) Limited (“MELL”). The proposed acquisition is conditional upon the fulfilment of conditions precedent including approval by the relevant authorities and due diligence exercise(s) to be conducted on MELL and its group of companies. On 26 August 2016, the Company and Markmore signed a Share Sale Agreement to formalise the intention of both parties.

(iii) Framework Agreement with Ken Makmur Holdings Sdn Bhd and MELL

On 17 February 2017, the Company entered into a framework agreement with Ken Makmur Holdings Sdn Bhd and MELL for the production of liquefied petroleum gas (“LPG”) and condensate from the natural gas supplied from the Rakushechnoye Oil and Gas Field (“Proposals under Phase II”). The proposal shall be implemented upon completion of a proposed private placement exercise, proposed issuance of shares and proposed rights issue with warrants (collectively, the “Proposals under Phase I”). Both proposals are conditional upon the fulfilment of conditions precedent including approval by the relevant authorities and due diligence exercises to be conducted on certain parties.

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B9 Group borrowings and debt securities

The Group's borrowings as at 31 December 2016 is nil. 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.

B11 Material litigation

Save as disclosed below, the Company and its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors of the Company do not have any knowledge of any proceedings, pending or threatened against the Company 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 the Company and its subsidiaries as at the date of this announcement.

- (i) **Kuala Lumpur High Court – winding up petition number 28NCC-209-03/2014
Sumatec Corporation Sdn Bhd (“SCSB”) v Greentech Chemical Sdn Bhd (“GCSB”)
(formerly known as Himpunan Sari Sdn Bhd)**

SCSB had on 18 March 2014 presented a petition to wind-up GCSB for its failure to pay RM10,299,285.90 to SCSB as at 20 June 2012 pursuant to a turnkey engineering, procurement, construction and commissioning contract to build a biodiesel plant at the Telok Kalong Industrial Estate in Terengganu. The petition was heard on 17 June 2014 where the Court ordered GCSB to be wound up. On 28 July 2016, SCSB's solicitors filed proof of debt for RM10,979,324.90, being total amount claimed from GCSB as at 17 June 2014.

Current Status: The matter is now pending the calling of a creditors meeting by the liquidator.

INTERIM FINANCIAL REPORT

B11 Material litigation (cont'd)

**(ii) Kuala Lumpur High Court – suit number WA-28NCC-594-07/2016
NFC Labuan Shipleasing I Ltd (“the Petitioner”) v Sumatec Resources Berhad (“the Company”)**

The Company had on 25 February 2008 issued a Deed of Guarantee and Indemnity to the Petitioner for its former subsidiary, Semua Chemical Shipping Sdn Bhd, for the leasing of two chemical vessels (Semua Perdana and Semua Perkasa) from the Petitioner on the same date (Bareboat Charters). The lease was terminated on 19 May 2014 by the Petitioner. The Petitioner has now claimed for various payments under the Perdana Bareboat Charter Agreement and Perkasa Bareboat Charter Agreement in the aggregate sum of USD6,377,034 and USD6,687,238 respectively.

On 5 April 2016, the Petitioner through its solicitors, Messrs Sativale Mathew Arun, issued a letter of demand for the Company to settle the debt of Semua Chemical Shipping Sdn Bhd totalling USD13,064,272 within 21 days. On 20 April 2016, Arbain & Co. responded on behalf of the Company to deny owing the Petitioner the sums claimed in its notice of 5 April 2016. On 25 May 2016, a winding-up petition was served on the Company by the Petitioner. The Petitioner applied to withdraw the first petition on 8 June 2016 and subsequently re-filed the winding up petition which was served on the Company on 25 July 2016.

Current Status: The Company, via its new solicitor Shearn Delamore & Co, has filed a striking out application of the petition on 19 October 2016 and the application is fixed for decision on 3 March 2017.

**(iii) High Court of the Republic of Singapore – suit no. HC/S 534/2016
Ebony Ritz Sdn Bhd v Sumatec Resources Berhad (“the Company”)**

On 5 May 2010, the Company entered into a Sale and Purchase Agreement with Ebony Ritz Sdn Bhd (“Ebony Ritz”) for Ebony Ritz’s proposed acquisition of the 49% equity interest in Semua International Sdn Bhd. The Company also entered into an Option and Financial Representation Agreement (“OFRA”) with Ebony Ritz and Auspicious Journey Sdn Bhd to guarantee profits of Semua, and provided a guarantee to Ebony Ritz (“Guarantee”) on the same day. By its Writ of Summons dated 24 May 2016, Ebony Ritz claimed that the Company owes RM27,017,162.68, being the financial shortfall calculated under the OFRA and RM10,000,000.00 for the loan provided under the Guarantee.

The Company, through its solicitors Messrs Morgan Lewis Stamford LLC, entered its Defence on 15 June 2016. The Company is disputing Ebony Ritz’s claims as the relevant parties signed a Sale and Purchase Agreement dated 21 December 2012 and the Settlement Agreement dated 28 May 2013. Subsequently, on 21 July 2016, Ebony Ritz filed two applications, to strike out the Company’s Defence (“Striking Out Application”), and for a Summary Judgment (“Summary Judgment Application”) (collectively “the Applications”). The Company has filed its objections to the Applications and filed its reply affidavit on 5 August 2016.

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B11 Material litigation (cont'd)

**(iii) High Court of the Republic of Singapore – suit no. HC/S 534/2016
Ebony Ritz Sdn Bhd v the Company (cont'd)**

On 28 October 2016, the Company through its solicitors Messrs Morgan Lewis Stamford LLC, filed its application for Ebony Ritz to give security for the Company's costs for SGD100,000.00 up to trial (or any other amount the Court deems appropriate).

Current Status:

In a hearing dated 8 February 2017, the Court dismissed the Summary Judgment Application, subject to orders made in the Striking Out Application, where the deadline for the Company to apply for conditional leave to defend against the Striking Out Application is on 8 March 2017. The Company subsequently filed a Notice of Appeal against some part of the Court's decision. As allowed by the Court, the Company, through its solicitors Messrs Morgan Lewis Stamford LLC, filed its amended Defence and Counterclaim on 9 February 2017. The security for cost application is fixed to be heard on 17 March 2017.

**(iv) Kuala Lumpur High Court – suit no. WA-27NCC-61-10/2016 and WA-27NCC-62-10/2016
Bank Pembangunan Malaysia Berhad (“BPMB”) v Semado Maritime Sdn Bhd
 (“Semado”)**

On 11 October and 12 October 2016, Semado was served a Writ Of Summons Admiralty Writ In Rem and warrant of arrest on vessels Semua Mutiara and Semua Muhibbah (collectively “the Vessels”), respectively, by Messrs Joseph & Partners, the solicitors acting for BPMB (“Writ of Summons”). Under the Writ Of Summons, in return for the release of the Vessels, BPMB is claiming settlement of principal sum of RM143,317,378.31 (plus RM100,000 in cost), or providing alternative security in the sum of RM165,214,985.06 by way of either a first class bank guarantee or a letter of undertaking from a P&I Club who is a member of the International Group of P&I Clubs, within 7 days from the dates the Writ of Summons were served. The sum to be guaranteed of RM165,214,985.06 comprises principal amount of RM143,317,378.31, interest at 5% up to 4 October 2016 of RM21,497,606.75, and RM400,000.00 in cost.

Pursuant to the corporate guarantee issued by Sumatec Resources Berhad (“Sumatec”) in 2008 to BPMB for Semado, Sumatec is liable only if the value realised from the sale of the Vessels is less than the total amount outstanding. Semado is currently sourcing for potential buyers.

Current Status:

BPMB had on 21 December 2016 through its lawyer Joseph & Partners submitted to the Kuala Lumpur High Court the Statement of Claims to the owners of Semua Mutiara and Semua Muhibbah. Semado, through its solicitors Shearn Delamore & Co has submitted its defence against the claims on 27 January 2017. Additionally, on 24 January 2017, Shearn Delamore & Co was served copies of BPMB's Application for Commission for Appraisalment and Sale Pendente Lite of the vessels Semua Muhibbah and Semua Mutiara.

The next case management is fixed for 10 March 2017.

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B11 Material litigation (cont'd)

(v) Notice of Termination and Demand to Sumatec Resources Berhad (“the Company”) in relation to the Primary Collateralised Loan Obligations (“CLO”)

Between 2004 and 2007, the Company obtained three facilities from Kerima, CapOne and Prima Uno bondholders (“CLO bondholders”). On 5 January 2017, the Company received a Notice of Termination and Demand from Adnan Sundra & Low Advocates & Solicitors, which notified that the Settlement Agreement dated 6th March 2015 between the Company and Malaysian Trustee Berhad (“MTB”) for the CLO has been terminated. MTB demanded RM72,333,945.10, being the principal and interest outstanding under the three facilities.

The Company is of the view when the 2015 Settlement Agreement was terminated, the parties should rely on the rights and remedies available in the 2013 Settlement Agreement. The Company’s obligation under the 2013 Settlement Agreement has been fulfilled and any recourse or recovery sought by MTB should be claimed from Hoe Leong Corporation Limited (“HLCL”), Setingi Holdings Berhad and / or HLCL’s nominees, for breach of HLCL’s obligations under the 2013 Settlement Agreement.

Current Status:

The Company, through its solicitor Shearn Delamore & Co, has replied on 9 January 2017 stating the Company’s position on the matter. On 23 February 2017, the Company was served with a Writ and Statement of Claim both dated 21 February 2017 by Adnan Sundra & Low pursuant to the termination by the Plaintiffs of the 2015 Settlement Agreement. The Plaintiffs are claiming for the full sum outstanding (principal plus interest) of RM72,533,945.10.

However, the Company is disputing the claim. Messrs. Shearn Delamore & Co will be filing a Memorandum of Apperance and a Defense in respect of the claim filed by the Plaintiffs, within the prescribed time period, subject to the directions from Court. The matter has been fixed for case management on 7 March 2017.

**(vi) High Court of Malaya – suit no. WA-28NCC-1062-12/2016
Zulkifly Bin Mohamad (“the Petitioner”) v Sumatec Resources Berhad (“the Company”)**

The Petitioner had filed a winding up petition against the Company on 16 December 2016 for a dispute on his alleged outstanding salary in the sum of USD171,401.18. The Company, through its solicitors Abu Talib Shahrom has filed an application to strike out the petition on 19 January 2017.

Current Status:

The court has adjourned the hearing of the winding up petition and striking out application to 31 March 2017 to enable parties to negotiate in view of resolving the matters amicably, and in the meantime, the court has directed the Company to file the affidavit in reply by 9 March 2017 and the written submission by 16 March 2016.

SUMATEC RESOURCES BERHADCompany No. 428355-D
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT****B12 Dividends**

No dividend has been recommended during the quarter under review.

B13 Earnings per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-Dec-16	Preceding Year Corresponding Quarter 31-Dec-15 Restated	Current Year To Date 31-Dec-16	Preceding Year Corresponding Year 31-Dec-15 Restated
Basic earnings per share				
Net profit / (loss) attributable to shareholders (RM'000)	1,513	(8,521)	27,372	29,709
Number of ordinary shares at the beginning of the period ('000)	3,717,934	3,485,683	3,482,695	3,485,683
Weighted average increase in share capital ('000)	37,248	-	272,487	-
Weighted average number of shares at the end the period ('000)	3,755,182	3,485,683	3,755,182	3,485,683
Basic earnings / (loss) per share (sen)	0.04	(0.24)	0.73	0.85
Diluted earnings per share				
Weighted average number of shares ('000)	3,755,182	3,490,417	3,755,182	3,485,683
Effect of warrants and ESOS ('000)	-	-	-	4,734
Weighted average number of ordinary shares - diluted ('000)	3,755,182	3,490,417	3,755,182	3,490,417
Diluted earnings / (loss) per share (sen)	0.04	(0.24)	0.73	0.85

B14 Additional disclosure

Save as disclosed below and included in the consolidated statements of profit and loss and other comprehensive income or in the notes of these statements, there were no other items applicable to be disclosed pursuant to item 16 of Appendix 9B of the Listing Requirements of Bursa Securities:

	Current Year Quarter 31-Dec-16 RM'000	Current Year To Date 31-Dec-16 RM'000
Interest income	4	29
Depreciation of property, plant and equipment	(73)	(538)

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(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT****B14 Additional disclosure (cont'd)**

	Current Year Quarter 31-Dec-16 RM'000	Current Year To Date 31-Dec-16 RM'000
Amortisation of intangible asset and development cost	(874)	(1,176)
Amortisation of unwinding discount on financial assets	(6,210)	-
Impairment of receivables	6,280	6,280
Foreign exchange gain / (loss) - realised	314	(95)
Foreign exchange gain / (loss) - unrealised	16,597	13,005

B15 Prior year adjustment

The prior year adjustments are due to the correction of an omission in respect of costs associated with the provision of a study, design and planning of an integrated natural gas monetization programme and capitalisation of development cost. In accordance with MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors, the changes are to be applied retrospectively. The effect of changes in the consolidated financial statements is as follows:

	31 Dec 2014 As previously reported RM'000	Effect of prior year adjustment RM'000	31 Dec 2014 As restated RM'000
<u>Statement of Financial Position (extract):</u>			
Accumulated losses	(206,364)	(306)	(206,670)
Development cost	-	55,319	55,319
Trade and other receivables – non-current	190,493	(45,718)	143,979
Trade and other payables - current	(9,488)	(9,907)	(19,395)
<u>Statement of Comprehensive Income (extract):</u>			
Operating expenses (direct cost)	(1,986)	(9,907)	(11,893)
Finance cost	(15,845)	9,601	(6,244)
<u>Statement of Cash Flows (extract):</u>			
Changes in working capital:			
Trade and other payables	41,622	9,907	51,529
Trade and other receivables	(131,641)	(9,601)	(141,242)

SUMATEC RESOURCES BERHADCompany No. 428355-D
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT****B15 Prior year adjustment (cont'd)**

	31 Dec 2015	Effect of	31 Dec 2015
	As previously	prior year	As restated
	reported	adjustment	As restated
	RM'000	RM'000	RM'000
<u>Statement of Financial Position (extract):</u>			
Accumulated losses	(166,378)	(8,456)	(174,834)
Development cost	-	76,347	76,347
Trade and other receivables – non-current	214,154	(57,941)	156,213
Trade and other receivables – current	151,783	74,000	225,783
Trade and other payables - current	(20,730)	(26,862)	(47,592)
Amount due to related party	-	(74,000)	(74,000)
<u>Statement of Comprehensive Income (extract):</u>			
Operating expenses (direct cost)	(1,789)	(16,955)	(18,744)
Finance cost	(15,490)	8,805	(6,685)
<u>Statement of Cash Flows (extract):</u>			
Changes in working capital:			
Trade and other payables	(38,069)	16,955	(21,114)
Trade and other receivables	(9,162)	(8,805)	(17,967)

B16 Disclosure of realised and unrealised accumulated losses

	Group	Company
	31-Dec-16	31-Dec-16
	RM'000	RM'000
Total accumulated profit / (losses):		
- Realised	(191,510)	(236,003)
- Unrealised	9,682	3,652
	<u>(181,828)</u>	<u>(232,351)</u>
Consolidated adjustments	36,624	-
	<u>(145,204)</u>	<u>(232,351)</u>

The disclosure of realised and unrealized profits/losses 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.

SUMATEC RESOURCES BERHAD

Company No. 428355-D
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INTERIM FINANCIAL REPORT

The interim financial statements were approved for issue by the Board of Directors in accordance with a Directors' resolution dated 28 February 2017.

By Order of the Board

Lim Seck Wah (MAICSA No. 0799845)

M. Chandrasegaran A/L S. Murugasu (MAICSA No. 0781031)

Company Secretaries

Dated: 28 February 2017

Kuala Lumpur