

**SUMATEC RESOURCES BERHAD**

Company No. 428355-D  
(Incorporated in Malaysia)

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**INTERIM FINANCIAL REPORT**

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**B9 Group borrowings and debt securities**

The Group's borrowings as at 30 September 2017 are as follows:

|              | <b>RM'000</b>        |
|--------------|----------------------|
| Secured:     |                      |
| - Short Term | 22,530               |
| - Long Term  | <u>-</u>             |
|              | <u><u>22,530</u></u> |

All of the Group current borrowings are denominated in Ringgit Malaysia. 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****A. Litigation to be settled via the proposed Corporate Exercise as announced on 27 October 2017**

- (i) NFC Labuan Shipleasing I Ltd. vs. Sumatec Resources Berhad
- (ii) Malaysian Trustees Berhad & 3 Ors vs. Sumatec Resources Berhad
- (iii) Malayan Banking Berhad vs Sumatec Resources Berhad
- (iv) Bank Pembangunan Malaysia Berhad vs. Semado Maritime Sdn Bhd
- (v) Notice of Demand to Sumatec Resources Berhad by Malayan Banking Berhad

The Company is engaged in litigation with creditors in relation to the guarantees and commitments given by the Company (prior to 2013) on behalf of its shipping associate, i.e. Semua International Shipping Group. The Company is currently undergoing preparation of term sheet for the said proposal to the parties mentioned above.

**B. Others (Related to Shipping Matters)**

In 2013, Sumatec into an Sales and Purchase Agreement to dispose the balance of its shareholdings in Semua International Shipping Group (i.e. 51%) to the Hoe Leong Group in two tranches. Another salient point of the Sale and Purchase Agreement is for Hoe Leong's undertaking to take over or indemnify Sumatec for the corporate guarantees given to the shipping group. However, Hoe Leong did not complete the second tranche nor did it fulfilled its undertaking to take over the corporate guarantees. The cases below are in relation to this matter and Sumatec is defending its position and/or counter claiming against Hoe Leong. Notwithstanding, Sumatec is considering to propose a global settlement if parties are able to agree to the terms of proposal (as per parties mentioned at above section A)

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- (a) Ebony Ritz Sdn. Bhd. vs. Sumatec Resources Berhad
- (b) Sumatec Resources Berhad vs. Hoe Leong Corporation Ltd. / Ebony Ritz Sdn. Bhd. / Setinggi Holdings Ltd.

There were no changes in material litigation, including the status of pending material litigation since the last annual statement of financial position as at 31 December 2016, except for the following cases:

- (i) **Sumatec Corporation Sdn. Bhd. (“the Subsidiary”) vs. Greentech Chemical Sdn. Bhd. (formerly known as Himpunan Sari Sdn. Bhd.) (“GCSB”)**

On 28 July 2016, the Subsidiary’s solicitors filed proof of debt for RM10,979,325, being total amount claimed from GCSB as at 17 June 2014. The matter is pending the calling of a creditors meeting by the liquidator.

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

By a Writ of Summons dated 24 May 2016, Ebony claimed that the Company owes RM37,017,163.68. On 20 April 2017, the court in Singapore for a stay in judgment until further notice. However, the Company also filed a Writ of Summons and Statement of Claim on 19 April 2017 against Hoe Leong Corporation berhad. Ebony and Setinggi Holding Ltd. in Kuala Lumpur High Court for the default in completing the Sale and Purchase Agreement dated 21 December 2012.

Ebony filed for Order 14 for Summary Judgment and under Order 18 to strike off the Company’s Defence. The AR allowed the defence under conditional leave to defend under the OFRA and unconditional leave on the Guarantees.

Parties thereafter filed various Appeals of which the High Court ordered for Summary Judgment on the OFRA for a sum of RM27,017,168.68. In the other hand, the Court granted the Company’s unconditional leave to defend the Guarantees. The Company is the process of filing the Stay of Execution and the Appeal to the Court of Appeal by 8 December 2017. Our Singapore lawyers have confirmed filing of the notice of appeal to the Court of Appeal on 20 November 2017.

- (iii) **Sumatec Resources Berhad (“the Company”) vs. Hoe Leong Corporation Ltd. / Ebony Ritz Sdn. Bhd. / Setinggi Holdings Ltd. (“the Defendants”) Kuala Lumpur High Court – suit no. WA-22NCC-142-04/2017**

The Company filed a Writ of Summons and Statement of Claim on 19 April 2017 against the Defendants for the Defendants’ breach of contract and conspiracy to defraud and injure the Company. The Company is seeking an order of specific performance against the Defendants in respect of the Sale and Purchase Agreement dated 21 December 2012 and the Primary CLO Transaction Settlement Agreement dated 28 May 2013 (“Agreements”). The Defendants are to indemnify the Company against all loss and damage, contingent or otherwise, sustained by the Company.

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All parties are required to file and serve their respective Affidavit in Reply by or on 24 November 2017. The Company has filed and served on 26 October 2017 an Affidavit in Reply opposing the Stay Application of the defendants. Thereafter for the parties to file their respective written submissions in respect of the Stay Application by the 1<sup>st</sup>, 2<sup>nd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Defendants (the Stay Applications) on 30 November 2017.

The Company's claim against the Defendants is also related to the ongoing legal claims made by Ebony Ritz Sdn. Bhd., Bank Pembangunan Malaysia Berhad, NFC Labuan Shipleasing I Ltd., Malaysian Trustees Berhad and Malayan Banking Berhad due to the Defendants' failure to release and discharge the Plaintiff from the Sumatec Guarantees pursuant to the terms of the Agreements.

- (iv) **Bank Pembangunan Malaysia Berhad ("BPMB") vs. Semado Maritime Sdn Bhd ("Semado"), a subsidiary of associated company**  
**Kuala Lumpur High Court – suit no. WA-27NCC-61-10/2016 and WA-27NCC-62-10/2016**

Pursuant to the corporate guarantee issued by Sumatec Resources Berhad ("Sumatec") in year 2008 to BPMB for Semado, Sumatec is liable only if the value realised from the sale of Semado's vessels is less than the total amount outstanding. The outstanding sum agreed by BPMB before the disposal of the vessels is RM73.8 million. The Kuala Lumpur High Court, during the hearing on 27 April 2017 for BPMB's application for judicial sale, has granted order in terms of the judicial sale applications with costs of RM5,000 for each application to be paid by Semado to BPMB. Sumatec is not a named party to the above suits and has not received any legal recourse. Pursuant to the corporate guarantee issued to BPMB for Semado, Sumatec has been prudent and made provision of RM44,192,400 in the 2016 audited financial statements. Semado has also been ordered to be wound up by an Order of the High Court of Malaya at Kuala Lumpur dated 13 April 2017. There were no notice of demand has been served on the Company on the Guarantee. Nevertheless. The Company has written a letter on 10 November 2017 to BPMB for a possible discussion on an amicable settlement.

- (v) **NFC Labuan Shipleasing I Ltd. ("NFC") vs. Sumatec Resources Berhad ("the Company")**  
**Kuala Lumpur High Court – suit no. WA-28NCC-594-07/2016**

On 5 April 2016, NFC through its solicitors issued a letter of demand for the Company to settle the debt of Semua Chemical Shipping Sdn Bhd totalling USD13,064,272 or approximately RM58,606,324. Subsequently, a winding up petition was served on the Company. On 15 March 2017, the Court has dismissed NFC's winding up petition and with costs of RM20,000 to be paid to the Company. On the 30 March 2017, NFC has filed an appeal against the dismissal of the NFC winding-up petition against the Company and NFC filed its notice of withdrawal on 1 August 2017.

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**(vi) Malaysian Trustees Berhad & 3 Ors (“CLO”) vs. Sumatec Resources Berhad (“the Company”)**

**Kuala Lumpur High Court – suit no. WA-22NCC-52-02/2017**

The Company has been served the Writ and Statement of Claim filed by the CLO on 23 February 2017 for an amount owing under the Facilities, in the sum of RM72,333,945.10 together with interest. The Company has filed its Defence and Counterclaim on 27 April 2017.

The Counterclaim is filed against the CLO, Hoe Leong Corporation Ltd. and Setinggi Holdings Ltd. for among others – i) the breach of the settlement agreement dated 28 May 2013 and ii) for Hoe Leong Corporation Ltd. and Setinggi Holdings Ltd. to make payment to the CLO under the settlement agreement and to indemnify the Company against all loss and damage sustained by the Company. The solicitor of the Company is of the opinion that the Company stands a fair chance in defending the CLO claims under the enforced settlement agreement dated 28 May 2013. The matter has been fixed for further case management on the 30 May 2017. The Company was served with Summary Judgement Application under Order 14 and on 28 April 2017 while the Company filed its Deference and Counterclaim on 27 April 2017.

The Company thereafter on 2 October 2017 changed its solicitors to M/s Nathan and accordingly filed a notice to file amendments to the defence before the hearing of the Summary Judgment Application and Striking Off Application of the Plaintiff. The court granted Order in Terms with no Order to Cost for Amendments of the defence. The Hearing of the Plaintiff Application was held orally on 10 November 2017 and Court is to deliver its decision on 22 November 2017.

The Matter came up for decision before the judge and accordingly the Plaintiff's application for summary judgment (Enclosure 4) and the striking out application (Enclosure 12) was dismissed. The grounds of dismissal on both the applications (Enclosures 4 and 12) with costs in the cause on the brief grounds that the case is not a plain and obvious case, it is contested and the Defendant's defense merits a trial. The Court has now fixed the case for case management on 22 December 2017 to update the court on the status of service of the defense of the defense and the Company's counterclaim against Hoe Leong Corporation Limited and Setinggi Holdings Limited.

**(vii) Notice of Demand to Sumatec Resources Berhad (“the Company”) by Malayan Banking Berhad (“MBB”)**

In total, the amount demanded by MBB is RM121,428,857 arising from six term loans and one overdraft facility. There are in total six vessels attached as security to the term loans. The notice of demand arises from MBB's claim against the subsidiary of an associated company, Semua Shipping Sdn Bhd (“SSSB”). Pursuant to the corporate guarantee issued by the Company to MBB for SSSB, the Company has been prudent and made provision of RM27,222,857 in the 2016 audited financial statements. The Company has not received any further notice of legal proceedings in relation to the corporate guarantee.

SSSB has been ordered to be wound up by an Order of the High Court of Malaya at Kuala Lumpur dated 9 March 2017.

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**(viii) Continental Industrial Supplies and Services Ltd LLP vs. Sumatec Resources Berhad (“the Company”) LCIA Arbitration No. UN163528**

In 2013, Continental Industrial Supplies and Services Ltd LLP (“CISS”) entered into a contract for the provision of integrated project management of the Rakushechnoye Oil and Gas Field with COG. However, in 2015, with market price for oil plummeting, CISS was advised to slow down on the contracted works. CISS then entered into a Parent Guarantee Agreement (“PGA”) dated 2 May 2016 with the Company of which the Company has agreed to guarantee the payment to CISS of USD6,097,044.05 or approximately RM27,351,340 plus interest. Pursuant to the PGA, the Company has fulfilled partial payment of USD1,175,746.00 or approximately RM5,274,397. Both parties intend to commence arbitration proceedings at the London Court of International Arbitration on the claim of the balance in the PGA.

On 3 November 2017, the Claimant served its submissions on the Authority Issue and Interpretation Issue. On 7 November 2017, the Respondent’s solicitor requested for an extension of time to serve its submission by 24 November 2017 and proposed that the Claimant shall serve the Claimant’s Submission in Reply by 1 December 2017. The Claimant has no objection to the said request and proposal by the Respondent’s solicitor. Therefore, such request was granted by the arbitrator.

On 9 November 2017, the Claimant’s solicitors request the arbitrator to issue a final award on the whole of the Claimant’s claim in the event the arbitrator decides the Preliminary Issues in the Claimant’s favour. On the same date, the arbitrator directed both parties to provide comments on the question whether the arbitrator has the jurisdiction to make a final award in a case where the arbitrator has yet to rule on the Preliminary Issues. Such comments must be made by close of business London time on 16 November 2017.

**(ix) Malayan Banking Berhad vs Sumatec Resources Berhad – KLHC WA-22NCC-382-09/2017**

The Company was served with an Writ of Summons and Statement of Claim on 5 October 2017 for a corporate guarantee provided for on behalf of Semado Maritime Sdn.Bhd as per letter of guarantee dated 25 November 2005. The letter of guarantee is for overdraft facility provided to Semado Maritime Sdn.Bhd by Malayan Banking Berhad for an amount of RM1,480,000.00 of which Sumatec shall be liable if Semado Maritime Sdn.Bhd is unable to fulfil its obligation under the overdraft facility.

Semado Maritime Sdn Bhd was wound up on 13 April 2017 and according the overdraft facility was recalled and terminated by Malayan Banking Berhad.

Malayan Banking Berhad had now filed the suit to claim for the sum of RM1,103,768.32 together with interest and cost for the failure for Semado Maritime Sdn Bhd to repay the payment as demanded by Malayan Banking Berhad.

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Accordingly, Sumatec has filed its defence on the claim on 31 October 2017 and Malayan Banking Berhad in return had filed and served their reply on 14 November 2017. On 8 November 2017, Malayan Banking Berhad has also filed for Summary Judgment pursuant to Order 14 and Sumatec also filed its reply to the Order 14 application on 16 November 2017. Sumatec is currently awaiting for the hearing date to be fixed by the court.

**B12 Dividends**

No dividend has been recommended during the quarter under review.

**B13 Earnings per share**

|  | Individual Quarter                      |   | Cumulative Quarter                      |  |
|--|---|---|---|--|
|  | Current<br>Year<br>Quarter<br>30-Sep-17 | Preceding Year<br>Corresponding<br>Quarter<br>30-Sep-16 | Current<br>Year<br>To Date<br>30-Sep-17 | Preceding Year<br>Corresponding<br>Year<br>30-Sep-16 |
| <b>Basic earnings per share</b>                                    |   |   |   |  |
| Net profit attributable to shareholders<br>(RM'000)                | 4,958                                   | 13,752  | 1,877                                   | 25,859   |
| Number of ordinary shares at the<br>beginning of the period ('000) | 3,866,114                               | 3,643,030   | 3,866,114                               | 3,482,695  |
| Weighted average increase in share<br>capital ('000)               | -                                       | 74,904  | -                                       | 235,239  |
| Weighted average number of shares at<br>the end the period ('000)  | 3,866,114                               | 3,717,934   | 3,866,114                               | 3,717,934  |
| Basic earnings per share (sen)                                     | 0.13                                    | 0.37  | 0.05                                    | 0.70   |
| <b>Diluted earnings per share</b>                                  |   |   |   |  |
| Weighted average number of shares<br>( '000)                       | 3,866,114                               | 3,717,934   | 3,866,114                               | 3,717,934  |
| Effect of warrants and ESOS ('000) *                               | -                                       | -   | -                                       | -  |
| Weighted average number of ordinary<br>shares - diluted ('000)     | 3,866,114                               | 3,717,934   | 3,866,114                               | 3,717,934  |
| Diluted earnings per share (sen)                                   | 0.13                                    | 0.37  | 0.05                                    | 0.70   |

\* Not taken into account in the computation of diluted earnings per share because the effect is anti-dilutive.

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### 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:

|  | <b>Current Year<br/>Quarter<br/>30-Sep-17<br/>RM'000</b> | <b>Current Year<br/>To Date<br/>30-Sep-17<br/>RM'000</b> |
|--|--|--|
| Depreciation of property, plant and equipment          | (62)   | (204)  |
| Amortisation of intangible asset                       | (120)  | (493)  |
| Interest income  | 1  | 2  |
| Interest expenses                                      | (571)  | (1,694)  |
| Loss on disposal of property, plant and equipment      | (22)   | (22)   |
| Amortisation of unwinding discount on financial assets | 5,764  | 8,646  |
| Foreign exchange loss - realised                       | (260)  | (285)  |
| Foreign exchange gain loss - unrealised                | (1,480)  | (7,676)  |

### B15 Disclosure of realised and unrealised accumulated losses

|                           | <b>Group<br/>30-Sep-17<br/>RM'000</b> | <b>Group<br/>30-Sep-16<br/>RM'000</b> |
|---------------------------|---------------------------------------|---------------------------------------|
| Total accumulated losses: |                                       |                                       |
| - Realised                | (226,940)                             | (173,544)                             |
| - Unrealised              | (54,921)                              | (4,615)                               |
|                           | (281,861)                             | (178,159)                             |
| Consolidated adjustments  | 57,600                                | 37,764                                |
|                           | (224,261)                             | (140,395)                             |

*The disclosure of realised and unrealized 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.*

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The interim financial statements were approved for issue by the Board of Directors in accordance with a Directors' resolution dated 30 November 2017.

**By Order of the Board**

Lim Seck Wah (MAICSA No. 0799845)  
M. Chandrasegaran A/L S. Murugasu (MAICSA No. 0781031)  
Company Secretaries

Dated: 30 November 2017  
Kuala Lumpur