

TH HEAVY ENGINEERING BERHAD (634775-D)
(formerly known as Ramunia Holdings Berhad)
(Incorporated in Malaysia)

The Board of Directors of TH Heavy Engineering Berhad are pleased to announce the financial results of the Group for the period ended 30 June 2012.

PART A: EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134.

1. BASIS OF PREPARATION

The interim financial statements are unaudited and prepared in accordance with the requirements under the MFRS 134 – “Interim Financial Reporting” issued by the Malaysian Accounting Standard Board (“MASB”) and Para 9.22 of the Bursa Malaysia Securities Berhad’s (“BMSB”) Listing Requirements. These condensed consolidated interim financial statements also comply with IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the period ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The interim financial report should be read in conjunction with the Group’s audited financial statements for the period ended 31 December 2011. The explanatory notes attached to these condensed consolidated 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 period ended 31 December 2011.

These are the Group’s condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS framework annual financial statement for the year ending 31 December 2012. MFRS 1 – “First-Time Adoption of Malaysian Financial Reporting Standards” has been applied.

The adoption of the MFRSs and Amendments do not have any material impact on the financial statements of the Group and of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1

The audited financial statements of the Group for the period ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the period ended 31 December 2011 except as discussed below:

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial period ended 31 December 2011 except for the adoption of new FRSs, Amendments and IC Interpretations that are mandatory for the Group for the financial year beginning 1 January 2012.

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2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial period ended 31 December 2011 was not qualified.

4. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Group's performance is not affected by any seasonal or cyclical factors, save for the vagaries of the Engineering business.

5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year.

6. SIGNIFICANT CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported that have had a material effect in the current quarter and financial year.

7. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year.

8. DIVIDENDS PAID

There were no dividends paid during the current financial period.

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9. SEGMENTAL REPORTING

Segmental analysis for the current financial period to date is as follows:

	Construction services RM'000	Offshore crane works RM'000	Others RM'000	Total RM'000
Revenue				
Total revenue	65,146*	4,941	-	70,087
Results				
Operating profit / (loss)	28,534	129	(7,778)	20,885
Other information				
Total assets	92,697	5,462	303,195	401,354
Total liabilities	26,648	2,997	204,333	233,978

* Includes revenue of RM30.0 million generated from the Small Renewable Energy Plant Project.

Analysis by geographical segments has not been presented as the operations of the Group are in Malaysia.

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no valuation of property, plant and equipment in the current quarter and financial year.

11. SUBSEQUENT EVENTS

There were no subsequent material events after the end of the current quarter.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes to the composition of the Group during the current quarter and financial year.

13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The contingent liabilities and assets comprise of the following:-

	As at 30 June 2012	
	Group RM'000	Company RM'000
Contingent liabilities		
Potential litigation and claim, inclusive of interest thereon	5,632	-

No provision in relation to this claim has been recognised in this consolidated condensed interim financial information as the Group has disclaimed liability and is defending the action based on legal advice.

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14. CAPITAL COMMITMENTS

As at
30 June 2012
Group and Company
RM'000

Approved and contracted for

87,707

The capital expenditure commitments include the balance of RM80.0 million payable for the Proposed Yard Acquisition.

15. CHANGE OF NAME

On 28 June 2012, the Company had changed its name to TH Heavy Engineering Berhad.

16. CHANGE OF FINANCIAL YEAR END

The Group had changed the financial year end from 31 October to 31 December commencing financial period ending 31 December 2011 and thereafter to end on 31 December of every subsequent year.

Accordingly, there are no comparatives figures for the current quarter and the preceding year corresponding period.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

17. REVIEW OF PERFORMANCE

The Group recorded revenue of RM29.4 million bringing the revenue for the six months ended 30 June 2012 to RM70.1 million. The profit after tax for the second quarter was RM6.0 million bringing the year to date profit after tax to RM13.8 million.

Due to the change in the financial year end as stated in Note 16, there are no comparative figures for the current quarter ended 30 June 2012 against preceding year's corresponding quarter. The quarterly results ended 30 April 2011 have been attached for illustration purpose only.

18. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

The results in the first quarter included the recognition of revenue of RM30.0 million from the Small Renewable Energy Power Plant Project which had been previously fully written off in Financial Year 2010.

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19. COMMENTARY ON PROSPECTS

The Company is on course to fulfill the conditions that has been imposed by Bursa Malaysia under the regularisation plan. The Company is due to complete the purchase of the fabrication yard located at Pulau Indah. The order book backlog is approximately RM200.0 million comprising the Sarawak Shell project awarded on 8 June 2012 and the balance of the Aquaterra West Desaru project awarded on 13 March 2012. Notwithstanding this, the Company is actively seeking new fabrication contracts on an ongoing basis.

Based on the improved results of this quarter and on the assumption that project being sought are secured, Management believe the Company is in position to make profits this financial year.

20. PROFIT FORECAST

	Actual 30-Jun-12 RM'000	Forecast 31-Dec-12 RM'000
Revenue	70,087	250,000
Profit before tax	19,572	37,413
Taxation	(5,750)	(10,891)
Profit after tax	13,822	26,522

21. TAXATION

Taxation for the period comprises of:-

	30-Jun-2012 RM'000
Deferred tax - current year	5,750

22. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investment and/or properties during the current quarter and financial year.

23. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no dealings by the Group in quoted securities for the current quarter and financial year. The Group did not hold any investments in quoted shares as at 30 June 2012.

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24. STATUS OF CORPORATE PROPOSALS

(i) Memorandum of Understanding (“MoU”)

There were no material developments on the MOU signed between Ramunia Fabricators Sdn. Bhd. (“RFSB”) and SEW Infrastructure Limited (“SEW”) on 12 April 2011.

The Company announced on 22 June 2012, that on 21 June 2012, both RFSB and SEW have mutually agreed to terminate the MOU with immediate effect. The said termination shall be without further recourse by either party against the other and shall constitute mutual release of all/any further obligations under the said MOU.

(ii) Listing Status and Regularisation Plan

At the Extraordinary General Meeting in relation to the Proposed Regularisation Plan held on 23 May 2012, our shareholders had approved the Yard Acquisition, which is expected to be completed by mid September, Capital Reconstruction and the Rights Issue.

On the 16 July 2012, the Abridged Prospectus, Notice of Provisional Allotment and Rights Subscription form were despatched to the shareholders. Each shareholder is entitled to a Renounceable Right Issues of two (2) shares for every five (5) existing ordinary shares held in the Company at an issue price of RM0.40 per share.

25. BORROWINGS AND DEBT SECURITIES

	Group and Company	
	As at 30-Jun-12 RM'000	As at 31-Dec-11 RM'000
<i>Long term borrowings</i>		
Term loan	201,300	201,300
Less: Transactions costs	(5,189)	(5,189)
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Accreted interest	196,111	196,111
	1,838	541
Total borrowings	197,949	196,652
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26. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance financial instruments as at 30 June 2012.

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27. CHANGES IN MATERIAL LITIGATION

Save as disclosed below, the Company is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or will have a material effect on the financial position on our business, and our Directors are not aware of any proceedings, pending or threatened, against the Company and/or any of the Company's subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of our Group:

(a) Ramunia Fabricators Sdn Bhd ("RFSB") vs. Global Fabricators Sdn Bhd ("GFSB")
(Kuala Lumpur High Court Civil Suit No.: 22NCC-752-2011)

RFSB instituted a suit against GFSB and a counter claim of RM5,632,778 was brought by GFSB for work done on the Melor and Kumang projects. A stay application was filed as the respective contracts have an arbitration agreement and GFSB agreed to resolve the disputes by way of Arbitration. A Notice of Arbitration was served to RFSB on 13 March 2012.

RFSB's solicitors are of the opinion that RFSB has a fair chance of successfully defending the counterclaim during the arbitration proceedings.

(b) Ramunia Optima Sdn Bhd ("ROSB") vs. PFCE Engineering Sdn. Bhd. ("PFCE")
(Kuala Lumpur Sessions Court, Suit No.52-17410-05/2012)
Ramunia Holdings Berhad ("RaHB") vs. PFCE Engineering Sdn. Bhd. ("PFCE")
(Kuala Lumpur Sessions Court, Suit No.52-17409-05/2012)
Ramunia Fabricators Berhad ("RFSB") vs. PFCE Engineering Sdn. Bhd. ("PFCE")
(Kuala Lumpur High Court, Suit No. 22NCVC-566-5/2012 and Suit No. 22NCVC-565-5/2012)

The Group instituted a number of legal suits against PFCE Engineering Sdn. Bhd. ("PFCE") for unpaid monies and losses and expenses incurred in the cause of executing a project which was novated to PFCE in Financial Year 2009. The total claim presented by the Group amounted to RM30.4 million against which a counter suit of RM6.7 million from PFCE has been received.

The Group's solicitors are of the opinion that the Group has a fair chance of being successful in its claims.

28. PROPOSED DIVIDENDS

The Board of Directors did not propose/declare any dividend for the current reporting quarter.

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29. EARNINGS PER SHARE

Earnings per share ("EPS")	SECOND QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30-Jun-12	Preceding Year Corresponding Quarter 30-Jun-11	Current Financial Year 30-Jun-12	Preceding Corresponding Financial Year 30-Jun-11
Profit for the purpose of basic earnings per share (RM'000)	6,033	N/A	13,822	N/A
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	662,840	N/A	662,840	N/A
Basic EPS (sen)	0.91	N/A	2.09	N/A
Adjusted earnings for the purpose of diluted earnings per share (RM'000)	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	N/A	N/A	N/A	N/A
Diluted EPS (sen)	N/A	N/A	N/A	N/A

30. REALISED AND UNREALISED (LOSSES)/PROFITS

The breakdown of the (accumulated losses)/retained profits of the Group as at 30 June 2012 into realised and unrealised (losses)/profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 30-Jun-2012 RM'000
Total accumulated losses of the Company and its subsidiaries:-	
- realised	(262,063)
- unrealised	13,729
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Total Group accumulated losses	(248,334)
Add: Consolidation adjustments	250,000
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Total Group retained profits as per consolidated accounts	1,666
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31. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 23 July 2012.