

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 September 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	108,702*	8,001	-	116,703
Results				
Operating profit / (loss)	26,641	2,034	(10,847)	17,828
Other information				
Total assets	144,067	4,684	384,953	533,704
Total liabilities	50,783	1,011	205,554	257,348

* 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 September 2012	
Contingent liabilities	Group RM'000	Company RM'000
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 September 2012 Group and Company RM'000
- Approved and contracted for	5,219
- Approved but not contracted for	59,683
	<hr/> 64,902 <hr/>

The capital commitments mainly consist of the cost to be incurred for the upgrading of the Pulau Indah yard.

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 OF THIRD QUARTER

The Group recorded revenue of RM46.6 million bringing the revenue for the nine months ended 30 September 2012 to RM116.7 million. The profit after tax for the third quarter was RM4.0 million bringing the year to date profit after tax to RM17.8 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 September 2012 against preceding year's corresponding quarter. The quarterly results ended 31 July 2011 have been attached for illustration purpose only.

18. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

The Group recorded a net profit after tax of RM4.0 million for the current quarter under review as compared to RM6.0 million for the immediate preceding quarter. The decrease in the net profit after tax for this quarter was partially attributed to a different product mix and reversal of provisions in the Second Quarter for the projects that were completed in that quarter.

On 10 August 2012, the Company completed the acquisition of the fabrication yard located at Pulau Indah for a total purchase consideration of RM83.8 million.

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19. COMMENTARY ON PROSPECTS

As of 1st October 2012, the Group had outstanding order of approximately RM170 million, mainly from the Sarawak Shell and Aquatera-West Desaru Projects awarded on 8th June 2012 and 13th March 2012 respectively. These projects are progressing on schedule.

New prospective works are expected in the 4th Quarter which will add positively to both the next Quarters results and that of the next financial Year. With this current work and new prospective projects to be secured, the Group is confident of delivering positive overall results from its operations at the Pulau Indah Yard.

20. PROFIT FORECAST

	Actual 30-Sep-12 RM'000	Forecast 31-Dec-12 RM'000
Revenue	116,703	250,000
Profit before tax	23,871	37,413
Taxation	(6,043)	(10,891)
Profit after tax	17,828	26,522

21. TAXATION

Taxation for the period comprises of:-

	30-Sep-2012 RM'000
Income tax	
- under provision in previous financial period	293
Deferred tax	
- current financial year	5,750
	<u>6,043</u>

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 September 2012.

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24. STATUS OF CORPORATE PROPOSALS

(i) Listing Status and Regularisation Plan

The Company announced on 31 July 2012, that on 27 July 2012, the Company has submitted an application to Bursa Securities to request for an early upliftment from being classified as a PN17 company.

On the 10 August 2012, the Company announced that the Regularisation Plan, which includes the Rights Issue, has been completed following the listing of and quotation for 265,135,810 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the completion of the Yard Acquisition.

On 2 October 2012, the Company announced that on 26 September 2012, Bursa Securities has replied that they will only consider the application for an early upliftment from being classified as PN17 company after the Company has submitted and announced to Bursa Securities its third (3rd) quarter results of 2012 for the financial period ending 30 September 2012, which has been subjected to a limited review by an external auditor.

(ii) Utilisation of Rights Issue Proceeds

The utilisation status of proceeds of RM106.05million raised from the Rights Issue as at 10 October 2012 (being a date not earlier than 7 days from the date of issue of the quarterly report) is as follows:-

Purpose	Actual Utilisation RM'000	Proposed Utilisation RM'000
1) Payment for Yard acquisition	80,000	80,000
2) Improvement works on Pulau Indah Yard	-	22,400
3) Working capital requirements of our Group	1,654	1,654
4) Estimated expenses relating to the Regularisation Plan	2,000	2,000
	<u>83,654</u>	<u>106,054</u>

25. BORROWINGS AND DEBT SECURITIES

	Group and Company	
	As at 30-Sep-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)
	<u>196,111</u>	<u>196,111</u>
Accreted interest	2,486	541
Total borrowings	<u>198,597</u>	<u>196,652</u>

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26. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

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 RM7.2 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

No dividends have been proposed for the current reporting quarter.

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29. EARNINGS PER SHARE

Earnings per share ("EPS")	THIRD QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30-Sep-12	Preceding Year Corresponding Quarter 30-Sep-11	Current Financial Year 30-Sep-12	Preceding Corresponding Financial Year 30-Sep-11
Profit for the purpose of basic earnings per share (RM'000)	4,006	N/A	17,828	N/A
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	812,699	N/A	767,441	N/A
Basic EPS (sen)	0.49	N/A	2.32	N/A
Adjusted earnings for the purpose of diluted earnings per share (RM'000)	4,006	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	818,128	N/A	N/A	N/A
Diluted EPS (sen)	0.49	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 September 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-Sep-2012 RM'000
Total accumulated losses of the Company and its subsidiaries:-	
- realised	(243,057)
- unrealised	13,729
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Total Group accumulated losses	(229,328)
Add: Consolidation adjustments	235,000
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Total Group retained profits as per consolidated accounts	5,672
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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 17 October 2012.