

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 31 December 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

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	181,850*	8,525	-	190,375
Results				
Operating profit / (loss)	48,766	1,766	(17,164)	33,368
Other information				
Total assets	304,819	6,393	313,404	624,616
Total liabilities	112,534	1,541	199,521	313,596

* 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

On 5 December 2012, the Group had conducted a valuation on its Pulau Indah Fabrication Yard. Based on the valuation report, the fair market value of the Yard comprising land, buildings, structures, improvements, related movable and non-movable plant and machinery is RM128.0 million based on the comparison method and depreciated replacement cost method.

The valuation is subject to Bursa Malaysia Securities Berhad/Securities Commission's clearance.

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

There are no contingent liabilities and contingent assets during the financial period under review.

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14. CAPITAL COMMITMENTS

	As at 31 December 2012 Group and Company RM'000
- Approved and contracted for	56,630
- Approved but not contracted for	20,000
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	76,630
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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 FOURTH QUARTER

The Group recorded fourth quarter revenue of RM73.7 million, bringing the revenue for the financial year ended 31 December 2012 to RM190.4 million. The profit after tax for the fourth quarter was RM6.3 million bringing the year to date profit after tax to RM24.2 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 31 December 2012 against preceding year's corresponding quarter. The quarterly results ended 31 October 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 RM6.3 million for the current quarter under review as compared to RM4.0 million for the immediate preceding quarter. The increase in the net profit after tax for this quarter was mainly due the current ongoing projects which are at the peak stage.

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19. COMMENTARY ON PROSPECTS

As of 31 December 2012, the Group had outstanding order of approximately RM110 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 to add positively in the next financial year. With the current work and new prospective projects to be secured, the Group is confident of delivering positive overall results.

20. PROFIT FORECAST

	Actual 31-Dec-12 RM'000	Forecast 31-Dec-12 RM'000
Revenue	190,375	250,000
Profit before tax	30,305	37,413
Taxation	(6,130)	(10,891)
Profit after tax	24,175	26,522

There were no significant variance noted between the forecasted and the actual achieved figures. The variance are mainly due to the timing difference on the award of the secured projects.

21. TAXATION

Taxation for the period comprises of:-

	31-Dec-2012 RM'000
Income tax	
- under provision in previous financial period	293
Deferred tax	
- current financial year	5,837
	<u>6,130</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 31 December 2012.

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24. STATUS OF CORPORATE PROPOSALS

(i) Listing Status and Regularisation Plan

With the completion of the regularisation plan, the Company has regularised its financial condition and no longer triggers any of the criteria under Paragraph 2.1 of Practice Note 17 (“PN17”) of the Main Market Listing Requirements.

After due consideration of all facts and circumstances of the matter, Bursa Malaysia Securities Berhad has decided to approve the Company's application for an early upliftment from being classified as a PN17 company. The Company had been uplifted from being classified as a PN17 company effective 31 October 2012.

(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	16,143	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
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	99,797	106,054

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24. STATUS OF CORPORATE PROPOSALS (CONT'D)

(iii) Proposed Acquisition of BMD, Proposed Disposal of THF and Proposed Establishment of JVs

On 21 December 2012, AmInvestment Bank on behalf of the Board announced that the following agreements have been entered into:-

- (i) a share purchase agreement with MDHSB for the proposed acquisition by THHE of such number of BMD Shares, representing 30% equity interest in BMD from MDHSB, for an indicative RM cash consideration equivalent to USD25.466 million (RM77.926 million); and
- (ii) a share purchase agreement with MDC for the proposed disposal by THHE of such number of THF Shares, representing 30% equity interest in THF to MDC for an indicative RM cash consideration equivalent to USD25.466 million (RM77.926 million).

Subsequent to the above, THHE will enter into the following JVAs upon the completion of the Proposed Acquisition of BMD and Proposed Disposal of THF for the purpose of the establishment of joint ventures:-

- (i) a JVA with McDermott and BMD for the purpose of setting out mutually agreed rights, duties, liabilities and obligation vis-à-vis each other in relation to the operation of BMD as a joint venture between McDermott and THHE on a 70:30 basis;
- (ii) a JVA with MDC and THF for the purpose of setting out mutually agreed rights, duties, liabilities and obligation vis-à-vis each other in relation to the operation of THF as a joint venture between THHE and MDC on a 70:30 basis;
- (iii) a JVA with JRMSA and Engineering Newco for the purpose of setting out mutually agreed rights, duties, liabilities and obligation vis-à-vis each other in relation to the operation of Engineering Newco as a joint venture between THHE and JRMSA on a 50:50 basis; and
- (iv) a JVA with JRMSA and PMT Newco, for the purpose of setting out mutually agreed rights, duties, liabilities and obligation vis-à-vis each other in relation to the operation of PMT Newco as a joint venture between THHE and JRMSA on a 50:50 basis.

Further details of the Proposed Acquisition of BMD, Proposed Disposal of THF and Proposed JVs including the salient terms of the BMD SPA and THF SPA are set out in the announcements dated 21 December 2012.

Further announcements will be made by the Company on the development of the abovementioned corporate proposal.

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25. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31-Dec-12 RM'000	As at 31-Dec-11 RM'000
<i>Borrowings</i>		
Term loan	201,300	201,300
Less: Transactions costs	(5,189)	(5,189)
	196,111	196,111
Accreted interest	3,135	541
Total borrowings	199,246	196,652

26. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance financial instruments as at 31 December 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 RM4,632,778 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.

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28. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

29. EARNINGS PER SHARE

Earnings per share ("EPS")	FOURTH QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31-Dec-12	Preceding Year Corresponding Quarter 31-Dec-11	Current Financial Year 31-Dec-12	Preceding Corresponding Financial Year 31-Dec-11
Profit for the purpose of basic earnings per share (RM'000)	6,347	N/A	24,175	N/A
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	927,975	N/A	767,441	N/A
Basic EPS (sen)	0.68	N/A	3.15	N/A
Adjusted earnings for the purpose of diluted earnings per share (RM'000)	6,347	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	938,834	N/A	N/A	N/A
Diluted EPS (sen)	0.68	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 31 December 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 31-Dec-2012 RM'000
Total accumulated losses of the Company and its subsidiaries:-	
- realised	(236,775)
- unrealised	13,642
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Total Group accumulated losses	(223,133)
Add: Consolidation adjustments	235,152
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Total Group retained profits as per consolidated accounts	12,019
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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 27 February 2013.