

TH HEAVY ENGINEERING BERHAD (634775-D)
(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 March 2013.

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.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2012. 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 financial year ended 31 December 2012.

2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1

The accounting policies, methods of computation and basis of consolidation adopted by the Group in this unaudited financial report are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2012.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the audited financial statements for the financial year ended 31 December 2012 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.

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8. DIVIDENDS PAID

There were no dividends paid during the current financial period.

9. SEGMENTAL REPORTING

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

	Financial Period Ended 31-Mar-13	
	Revenue RM'000	Profit/(Loss) Before Taxation RM'000
Business Segment		
Construction Services	54,748	14,312
Offshore Crane Works	1,330	(1,697)
Others	-	(6,595)
Sub Total	56,078	6,020
Consolidation Adjustment	-	-
Total	56,078	6,020

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 was no revaluation made during the financial period under review.

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.

TH HEAVY ENGINEERING BERHAD (634775-D)
(Incorporated in Malaysia)

14. CAPITAL COMMITMENTS

	As at 31-Mar-13 Group and Company RM'000
- Approved and contracted for	41,000
- Approved but not contracted for	20,000
	<hr/> 61,000 <hr/>

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

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

15. REVIEW OF PERFORMANCE OF FIRST QUARTER

Business Segment	Revenue		Profit/(Loss) Before Tax	
	1st Quarter ended 31-Mar-13 RM'000	Period ended 31-Mar-13 RM'000	1st Quarter ended 31-Mar-13 RM'000	Period ended 31-Mar-13 RM'000
Construction Services	54,748	54,748	14,312	14,312
Offshore Crane Works	1,330	1,330	(1,697)	(1,697)
Others	-	-	(6,595)	(6,595)
Sub Total	56,078	56,078	6,020	6,020
Consolidation Adjustment	-	-	-	-
Total	56,078	56,078	6,020	6,020

The Group recorded first quarter revenue of RM56 million. The profit before tax for the first quarter was RM6 million.

16. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

Business Segment	Revenue		Profit/(Loss) Before Tax	
	1st Quarter ended 31-Mar-13 RM'000	4th Quarter ended 31-Dec-12 RM'000	1st Quarter ended 31-Mar-13 RM'000	4th Quarter ended 31-Dec-12 RM'000
Construction Services	54,748	57,170	14,312	9,190
Offshore Crane Works	1,330	486	(1,697)	(624)
Others	-	-	(6,595)	2,652
Total	56,078	57,656	6,020	11,218
Consolidation Adjustment	-	(26)	-	(3,328)
Total	56,078	57,630	6,020	7,890

TH HEAVY ENGINEERING BERHAD (634775-D)
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16. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER (CONT'D)

The Group recorded a net profit before tax of RM6.0 million for the current quarter as compared to RM7.9 million for the immediate preceding quarter.

17. COMMENTARY ON PROSPECTS

As of 31 March 2013, the Group had outstanding order of approximately RM240 million. This includes the recently awarded project by Murphy Oil amounting to RM196 million.

New prospective works are expected to add positively to the revenue and profit of the Group in current financial year. With the current work and new prospective projects to be secured, the Group is confident of delivering positive overall results.

18. PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore no comparison is made available.

19. TAXATION

There were no tax provision made during the financial period under review.

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

21. 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 March 2013.

TH HEAVY ENGINEERING BERHAD (634775-D)
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22. STATUS OF CORPORATE PROPOSALS

(i) Utilisation of Rights Issue Proceeds

The utilisation status of proceeds of RM106.05million raised from the Rights Issue as at 19 April 2013 (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
	<u>99,797</u>	<u>106,054</u>

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

The Proposed Acquisition of BMD, Proposed Disposal of THF and Proposed Establishment of Joint Ventures are subject to approval in the forthcoming Extraordinary General meeting scheduled on 3 June 2013.

(iii) Proposed Issuance of non-rated Sukuk based on Islamic Principles of Murabahah pursuant to a Sukuk Murabahah Programme

On 25 January 2013, Securities Commissions Malaysia (“SC”) vide its letter received on 29 January 2013 had authorised the proposed Sukuk Murabahah Programme.

23. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31-Mar-13 RM'000	As at 31-Dec-12 RM'000
<u>Long Term Borrowings</u>		
- Finance lease liabilities	193	193
Sub Total	193	193
<u>Short Term Borrowings</u>		
- Secured term loan	219,643	201,300
Less: Transactions costs	(5,189)	(5,189)
	214,454	196,111
Accreted interest	3,784	3,135
	218,238	199,246
- Finance lease liabilities	19	28
Sub Total	218,257	199,274
Total borrowings	218,450	199,467

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24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance financial instruments as at 31 March 2013.

25. 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 March 2012. In response to the notice of arbitration, the Company has nominated an arbitrator and proposed consolidation of both arbitrations. To date, no arbitrator has been appointed as yet and the arbitration proceedings is still pending.

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 matter will be fixed for the Trial from 7 October 2013. The Company's solicitors are of the view that the Company has a fair chance of successfully defending the counterclaim brought by PFCE during the court proceedings.

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

26. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

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27. EARNINGS PER SHARE

Earnings per share ("EPS")	FIRST QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31-Mar-13	Preceding Year Corresponding Quarter 31-Mar-12	Current Financial Year 31-Mar-13	Preceding Corresponding Financial Year 31-Mar-12
Profit for the purpose of basic earnings per share (RM'000)	6,020	7,789	6,020	7,789
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	927,975	662,840	927,975	662,840
Basic EPS (sen)	0.78	1.18	0.78	1.18
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

28. REALISED AND UNREALISED (LOSSES)/PROFITS

The breakdown of the (accumulated losses)/retained profits of the Group as at 31 March 2013 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-Mar-2013 RM'000
Total accumulated losses of the Company and its subsidiaries:-	
- realised	(230,758)
- unrealised	13,642
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Total Group accumulated losses	(217,116)
Add: Consolidation adjustments	235,152
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Total Group retained profits as per consolidated accounts	18,036
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29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	1st Quarter ended 31-Mar-13 RM'000	Period ended 31-Mar-13 RM'000
Interest income	583	583
Depreciation and amortisation	(716)	(716)
Inventories written off	(19)	(19)
Realised foreign exchange	187	187

30. 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 25 April 2013.