

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

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

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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.

9. SEGMENTAL REPORTING

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

	Financial Period Ended	
	30th September 2013	
	Revenue	Profit/(Loss)
		Before Taxation
	RM'000	RM'000
Business Segment		
Construction Services	196,859	31,563
Offshore Crane Works	13,917	(4, 811)
Others	7,921	(7,465)
Sub Total	218,697	19,287
Management Fees	(7,921)	-
Consolidation Adjustment	(11,860)	-
Total	198,916	19,287

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

During the quarter under review the Company had disposed off thirty percent (“30%”) equity interest in THHE Fabricators Sdn. Bhd. (“THF”) which resulted in dilution of the shareholding of the Company to seventy percent (“70%”). The Company had also acquired a thirty percent (“30%”) equity in Berlian McDermott Sdn. Bhd. (“BMD”).

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13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

14. CAPITAL COMMITMENTS

	As at 30-Sep-2013 Group and Company RM'000
- Approved and contracted for	29,960
- Approved but not contracted for	20,000
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	49,960
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The capital commitments consist mainly costs 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 THIRD QUARTER

	Revenue		Profit/(Loss) Before Tax	
	3rd Quarter ended 30/9/2013 RM'000	Period ended 30/9/2013 RM'000	3rd Quarter ended 30/9/2013 RM'000	Period ended 30/9/2013 RM'000
Business Segment				
Construction Services	83,845	196,859	885	31,563
Offshore Crane Works	11,523	13,917	(127)	(4,811)
Others	2,922	7,921	3,313	(7,465)
Sub Total	98,290	218,697	4,071	19,287
Management Fees	(2,922)	(7,921)	-	-
Consolidation Adjustment	(11,770)	(11,860)	-	-
Total	83,598	198,916	4,071	19,287

Group

The Group recorded revenue of RM83.6 million for the third quarter bringing the revenue to date to RM198.9 million. The profit before tax for the third quarter was RM4.1 million. The year to date profit is RM19.3 million.

During the quarter under review, the Company recognised a gain on disposal of equity interest in their subsidiary company, THHE Fabricators Sdn. Bhd. amounting to RM20.1 million.

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16. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Profit/(Loss) Before Tax	
	3 rd Quarter ended 30/9/2013 RM'000	2 nd Quarter ended 30/6/2013 RM'000	3 rd Quarter ended 30/9/2013 RM'000	2 nd Quarter ended 30/6/2013 RM'000
Business Segment				
Construction Services	83,845	58,266	885	16,366
Offshore Crane Works	11,523	1,063	(127)	(2,987)
Others	2,922	2,428	3,313	(4,183)
Total	98,290	61,757	4,071	9,196
Management Fees	(2,922)	(2,428)	-	-
Consolidation Adjustment	(11,770)	(90)	-	-
Total	83,598	59,239	4,071	9,196

For the current quarter under review, Group revenue increased by 41% to RM83.6 million as compared to RM59.2 million in the second quarter. The increase is mainly due to recognition of Murphy Sarawak Oil Company Ltd (Permas) project which is reported under construction services segment.

Group net profit before tax decreased by 56% to RM4.1 million as compared to RM9.2 million for the immediate preceding quarter.

17. COMMENTARY ON PROSPECTS

On 4 November 2013, the Group was awarded a project by Lundin Malaysia B.V. for the fabrication of wellhead platform (WHP) in relation to the PM307 Bertam Field Development project.

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

	As at 30-Sep-2013 RM'000	As at 31-Dec-2012 RM'000
<u>Tax Expense</u>		
Underprovision in prior year	170	293
<u>Deferred tax expense</u>		
Origination and reversal of temporary differences	-	6,756
Overprovision in prior year	-	(920)
Total Tax Expense	170	6,129

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20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

During the quarter under review the Company had disposed off thirty percent (“30%”) equity interest in THHE Fabricators Sdn. Bhd. (“THF”) which resulted in dilution of the shareholding of the Company to seventy percent (“70%”).

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 30 September 2013.

22. STATUS OF CORPORATE PROPOSALS

As announced by the Company on 1 October 2013, the Company had completed the Proposed Acquisition of Berlian McDermott Sdn. Bhd. (“BMD”), the Proposed Disposal of THHE Fabricators Sdn. Bhd. (“THF”) and Proposed Establishment of JVs.

23. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 30-Sep-13 RM’000	As at 31-Dec-12 RM’000
<u>Long Term Borrowings</u>		
- Finance lease liabilities	193	193
- Secured term loan	170,000	-
Less: Transactions costs	(5,693)	-
	164,500	193
Accreted interest	5,081	-
Sub Total	169,581	193
<u>Short Term Borrowings</u>		
- Secured term loan	91,511	201,300
Less: Transactions costs	(297)	(5,189)
	91,214	196,111
Accreted interest	70	3,135
	91,284	199,246
- Finance lease liabilities	10	28
Sub Total	91,294	199,274
Total borrowings	260,875	199,467

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 30 September 2013.

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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 in 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 is now fixed for mediation before the Judge on 11 December 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 also 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")	THIRD QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30-Sep-13	Preceding Year Corresponding Quarter 30-Sep-12	Current Financial Year 30-Sep-13	Preceding Corresponding Financial Year 30-Sep-12
Profit for the purpose of basic earnings per share (RM'000)	24,048	4,006	39,264	17,828
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	927,975	812,699	985,179	767,441
Basic EPS (sen)	2.59	0.49	3.99	2.32
Adjusted earnings for the purpose of diluted earnings per share (RM'000)	24,048	4,006	39,264	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	1,002,433	818,128	1,054,595	N/A
Diluted EPS (sen)	2.40	0.49	3.72	N/A

28. REALISED AND UNREALISED (LOSSES)/PROFITS

The breakdown of the (accumulated losses)/retained profits of the Group as at 30 September 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 30-Sep-2013 RM'000
Total accumulated losses of the Company and its subsidiaries:-	
- realised	(168,235)
- unrealised	13,642
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Total Group accumulated losses	(154,593)
Add: Consolidation adjustments	205,873
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Total Group retained profits as per consolidated accounts	51,280
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29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 30/9/2013 RM'000	Period ended 30/9/2013 RM'000
Interest income	136	907
Depreciation and amortisation	(796)	(2,164)
Inventories written off	30	(27)
Realised foreign exchange	(59)	397

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 22 November 2013.