

**TH HEAVY ENGINEERING BERHAD (634775-D)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-Jun-16 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-15 Unaudited RM'000	CURRENT YEAR TO DATE 30-Jun-16 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-15 Unaudited RM'000
Revenue	<b>7,715</b>	<b>18,924</b>	<b>22,239</b>	<b>66,725</b>
Cost of sales	(9,458)	(22,360)	(16,884)	(77,169)
Gross (loss)/profit	<b>(1,743)</b>	<b>(3,436)</b>	<b>5,355</b>	<b>(10,444)</b>
Other income	1,394	4,749	4,957	7,189
Administration expenses	(10,370)	(11,259)	(23,759)	(28,265)
Other expenses	-	-	-	-
Operating loss	<b>(10,719)</b>	<b>(9,946)</b>	<b>(13,447)</b>	<b>(31,520)</b>
Unrealised foreign exchange gain/(loss), net	8,786	-	(18,080)	-
Finance cost	(4,468)	(2,522)	(8,726)	(4,163)
Share of (loss)/profit of equity-accounted associate, net of tax	(2,482)	1,489	(10,063)	(134)
Share of loss of equity-accounted joint venture, net of tax	-	(545)	-	(1,024)
Loss before taxation	<b>(8,883)</b>	<b>(11,524)</b>	<b>(50,316)</b>	<b>(36,841)</b>
Taxation	-	(41)	-	(81)
Loss after taxation	<b>(8,883)</b>	<b>(11,565)</b>	<b>(50,316)</b>	<b>(36,922)</b>
Other comprehensive loss for the period, net of tax	(2,803)	-	(2,803)	-
Total comprehensive loss for the period	<b>(11,686)</b>	<b>(11,565)</b>	<b>(53,119)</b>	<b>(36,922)</b>
Loss attributable to:				
Owners of the Company	(6,848)	(6,091)	(40,290)	(24,941)
Non-controlling interests	(2,035)	(5,474)	(10,026)	(11,981)
	<b>(8,883)</b>	<b>(11,565)</b>	<b>(50,316)</b>	<b>(36,922)</b>
Total comprehensive loss attributable to:-				
Owners of the Company	(1,660)	(6,091)	(43,093)	(24,941)
Non-controlling interests	(10,026)	(5,474)	(10,026)	(11,981)
	<b>(11,686)</b>	<b>(11,565)</b>	<b>(53,119)</b>	<b>(36,922)</b>
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic loss per share	<b>(0.61)</b>	<b>(0.55)</b>	(3.59)	(2.24)
ii) Fully diluted loss per share	<b>(0.31)</b>	<b>(0.55)</b>	(1.81)	(2.24)
Gross interest income	<b>303</b>	<b>24</b>	303	53
Gross interest expense	<b>8,726</b>	<b>2,522</b>	8,726	4,163

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015)

**TH HEAVY ENGINEERING BERHAD (634775-D)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE PERIOD ENDED 30 JUNE 2016**

	As at 30-Jun-16 Unaudited RM'000	As at 31-Dec-15 Audited RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,179,656	995,573
Intangible assets	468	481
Investment in associate	129,243	139,306
Investment in joint ventures	-	-
	<b>1,309,367</b>	<b>1,135,360</b>
<b>Current Assets</b>		
Inventories	10,568	9,706
Trade and other receivables	180,836	207,708
Prepayments	2,873	1,798
Current tax asset	792	446
Cash and cash equivalents	41,242	78,119
	<b>236,311</b>	<b>297,777</b>
	<b>1,545,678</b>	<b>1,433,137</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	280,269	280,269
Islamic Irredeemable Convertible Preference Shares ('İCPS-i')	275,000	275,000
Share premium	95,029	95,029
Revaluation reserves	28,317	28,317
Currency translation reserves	17,566	20,369
Accumulated losses	(102,539)	(62,249)
	593,642	636,735
<b>Non-controlling interests</b>	17,558	27,584
<b>Total Equity</b>	<b>611,200</b>	<b>664,319</b>
<b>Non Current Liabilities</b>		
Deferred tax liabilities	214	214
Borrowings	81,239	65,781
	<b>81,453</b>	<b>65,995</b>
<b>Current Liabilities</b>		
Trade and other payables	532,546	361,260
Borrowings	320,479	341,563
	<b>853,025</b>	<b>702,823</b>
<b>Total Liabilities</b>	<b>934,478</b>	<b>768,818</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,545,678</b>	<b>1,433,137</b>
<b>Net assets per share (sen)</b>	<b>53</b>	<b>57</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015)

**TH HEAVY ENGINEERING BERHAD (634775-D)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2016**

	Share Capital (RM'000)	ICPS-i (RM '000)	Share Premium (RM'000)	Revaluation Reserves (RM'000)	Other Reserves (RM'000)	Currency Translation Reserves (RM'000)	Accumulated Losses (RM'000)	Total (RM'000)	Non-controlling interest (RM'000)	Total Equity (RM'000)
<b>Balance at 1 January 2016</b>	<b>280,269</b>	<b>275,000</b>	<b>95,029</b>	<b>28,317</b>		<b>20,369</b>	<b>(62,249)</b>	<b>636,735</b>	<b>27,584</b>	<b>664,319</b>
Other comprehensive loss for the period	-	-	-	-	-	(2,803)		(2,803)	-	(2,803)
Loss for the period	-	-	-	-	-	-	(40,290)	(40,290)	(10,026)	(50,316)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,803)</b>	<b>(40,290)</b>	<b>(43,093)</b>	<b>(10,026)</b>	<b>(53,119)</b>
<b>Balance at 30 June 2016</b>	<b>280,269</b>	<b>275,000</b>	<b>95,029</b>	<b>28,317</b>	<b>-</b>	<b>17,566</b>	<b>(102,539)</b>	<b>593,642</b>	<b>17,558</b>	<b>611,200</b>

  

	Share Capital (RM'000)	ICPS-i (RM '000)	Share Premium (RM'000)	Revaluation Reserves (RM'000)	Other Reserves (RM'000)	Currency Translation Reserves (RM'000)	Retained Profits (RM'000)	Total (RM'000)	Non-controlling interest (RM'000)	Total Equity (RM'000)
<b>Balance at 1 January 2015</b>	<b>277,769</b>	<b>-</b>	<b>94,511</b>	<b>28,317</b>		<b>4,492</b>	<b>(16,914)</b>	<b>388,175</b>	<b>15,571</b>	<b>403,746</b>
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(24,941)	(24,941)	(11,981)	(36,922)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,941)</b>	<b>(24,941)</b>	<b>(11,981)</b>	<b>(36,922)</b>
Issuance of shares	2,500	693	-	-	-	-	-	3,193	-	3,193
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	-	-	10,500	10,500
<b>Balance at 30 June 2015</b>	<b>277,769</b>	<b>-</b>	<b>94,511</b>	<b>28,317</b>	<b>-</b>	<b>4,492</b>	<b>(41,855)</b>	<b>363,234</b>	<b>14,090</b>	<b>380,517</b>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015)

**TH HEAVY ENGINEERING BERHAD (634775-D)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2016**

	CUMMULATIVE QUARTER	
	CURRENT	CORRESPONDING
	YEAR TO DATE	PRECEDING
	30-Jun-16	30-Jun-15
	(RM'000)	(RM'000)
Loss before taxation	(50,316)	(36,841)
Adjustments for:		
Amortisation of intangible assets	13	25
Depreciation of property, plant and equipment	9,116	7,405
Finance costs	8,726	4,163
Finance income	(303)	(53)
Inventories written off	-	8
Share of loss of associate	10,063	134
Share of loss of joint venture	-	1,024
Unrealised foreign exchange loss	18,080	(3,320)
<b>Operating profit/(loss) before changes in working capital</b>	<b>(4,621)</b>	<b>(27,455)</b>
Changes in working capital:		
Inventories	(862)	(4,993)
Trade and other receivables	7,717	(105,645)
Trade and other payables	171,287	(36,411)
Net cash generated/(used in) from operations	173,521	(174,504)
Interests received	303	53
Interests paid	(8,726)	(4,163)
Tax paid	(346)	(81)
<b>Net cash from operating activities</b>	<b>164,752</b>	<b>(178,695)</b>
<b>Cash flows used in investing activities</b>		
Acquisition of property, plant and equipment	(172,869)	(13,110)
Acquisition of investment in associate	-	(325)
Increase in pledged deposits placed with licensed banks, net	9,524	(10,319)
<b>Net cash from investing activities</b>	<b>(163,345)</b>	<b>(23,754)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	-	3,193
(Repayment)/Proceeds from loans and borrowings, net	(5,626)	182,610
<b>Net cash from financing activities</b>	<b>(5,626)</b>	<b>185,803</b>
Net change in cash and cash equivalents	<b>(4,219)</b>	<b>(16,646)</b>
Effect of exchange rate translation	(23,133)	3,320
Cash and cash equivalents at beginning of period	31,523	78,227
Cash and cash equivalents at end of financial period	<b>4,171</b>	<b>64,901</b>
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	4,105	47,133
Deposits placed with licensed banks	37,137	59,272
	41,242	106,405
Less: Deposits pledged	(37,071)	(41,504)
	<b>4,171</b>	<b>64,901</b>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015)

**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**The Board of Directors of TH Heavy Engineering Berhad is pleased to announce the financial results of the Group for the period ended 30 June 2016**

**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 MFRS134 –“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 2015. 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 2015.

**2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS**

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 2015.

**New and revised Standards in issue but not yet effective**

At the date of authorisation for issue of the interim financial report, the new and revised Standards which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in October 2010)
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 as issued by IASB in November 2009 and October 2010) and Transition Disclosure
MFRS 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers

\*Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective. The Group and the Company are currently assessing the impact of adoption of the above new Standards and Amendments.

**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 was not qualified.

**4. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS**

Besides the vagaries of the Engineering business, the Group's fabrication business performance is also dependent upon the infrastructure spending by upstream oil and gas companies namely the production sharing contractors, which in turn is pegged amongst others to the outlook on the global oil prices and field discoveries.

**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 period other than the unrealised gain on foreign exchange amounting to RM8.9 million which arose mainly from the change of functional currency of a subsidiary company located in Labuan during the last 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 period

**7. DEBT AND EQUITY SECURITIES**

There were no other issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities:

**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:

<b>Business Segment</b>	<b>Financial Period Ended</b>	
	<b>30 June 2016</b>	
	<b>Revenue</b>	<b>Loss Before</b>
	<b>(RM'000)</b>	<b>Taxation</b>
		<b>(RM'000)</b>
Construction Services	18,810	(19,583)
Offshore Crane Works	4,522	986
Offshore Services	-	(612)
Others	4,483	(20,012)
<b>Sub Total</b>	<b>27,815</b>	<b>(39,221)</b>
Consolidation Adjustment	(5,576)	(11,095)
<b>Total</b>	<b>22,239</b>	<b>(50,316)</b>

Analysis by geographical segments has not been presented as the operations of the Group are principally 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 in the composition of the Group during the quarter under review.

**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

	<b>Group</b> <b>(RM'000)</b>
Potential liquidated damages claim by customer	<u>9,391</u>

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

**14. CAPITAL COMMITMENTS**

	<b>Group</b> <b>(RM'000)</b>
- Approved and contracted for	252,878
- Approved but not contracted for	<u>135,791</u>
	<u>388,669</u>

The capital commitments consist mainly costs to be incurred for the upgrading of the Pulau Indah yard and conversion for the FPSO Layang project.



**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**15. REVIEW OF PERFORMANCE OF SECOND QUARTER**

	Revenue		Loss Before Tax	
	2nd Quarter ended 30/6/2016 (RM'000)	2nd Quarter ended 30/6/2015 (RM'000)	2nd Quarter ended 30/6/2016 (RM'000)	2nd Quarter ended 30/6/2015 (RM'000)
<b>Business Segment</b>				
Construction Services	6,753	15,845	(12,241)	(15,176)
Offshore Crane Works	962	11,977	(1,312)	1,092
Offshore Services	-	-	(193)	(721)
Others	2,242	1,721	7,344	3,333
<b>Sub Total</b>	<b>9,957</b>	<b>29,543</b>	<b>(6,402)</b>	<b>(11,472)</b>
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	(2,481)	1,489
Share of loss of equity-accounted joint venture, net of tax	-	-	-	(545)
Consolidation adjustment	(2,242)	(10,619)	-	(996)
<b>Total</b>	<b>7,715</b>	<b>18,924</b>	<b>(8,883)</b>	<b>(11,524)</b>

The Group recorded revenue of RM7.7 million for the second quarter 2016 as compared to RM18.9 million in the previous second quarter of 2015. The decrease in revenue is due to the completion of prior year projects and the decrease in the number of ongoing projects.

The Group recorded a loss before tax of RM8.9 million in the current quarter as compared to loss before tax of RM11.5 million in the corresponding quarter of 2015 mainly due to unrealized foreign exchange gain of RM8.8 million. The Ringgit weakened against the US Dollar during the three months ended June 30, with the US Dollar/Ringgit exchange rate closing at 4.02 as of end-June 2016 as compared to 3.92 as of the end-March 2016. The Ringgit depreciation has resulted in a non-cash flow net foreign currency translation gain. However, when excluding the foreign exchange gain, the loss before tax for the Group of RM17.7 million for the current quarter increased as compared to a loss before tax of RM11.5 million a year ago due to lower realized margin on on-going jobs, slower fabrication activities, higher finance cost as well as share of loss in an associates company.

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

	Revenue		Loss Before Tax	
	2nd Quarter ended 30/6/2016 (RM'000)	1st Quarter ended 31/3/2016 (RM'000)	2nd Quarter ended 30/6/2016 (RM'000)	1st Quarter ended 31/3/2016 (RM'000)
<b>Business Segment</b>				
Construction Services	6,753	12,057	(12,241)	(7,343)
Offshore Crane Works	962	3,560	(1,312)	2,298
Offshore services	-	-	(193)	(419)
Others	2,242	2,241	7,344	(27,356)
<b>Total</b>	<b>9,957</b>	<b>17,858</b>	<b>(6,402)</b>	<b>(32,820)</b>
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	(2,481)	(7,580)
Share of loss of equity-accounted joint venture, net of tax	-	-	-	-
Consolidation adjustment	(2,242)	(3,334)	-	(1,033)
<b>Total</b>	<b>7,715</b>	<b>14,524</b>	<b>(8,883)</b>	<b>(41,433)</b>

For the current quarter under review, the Group's revenue decreased to RM7.7 million in the current quarter from RM14.5 million in the first quarter 2016. However, the Group's loss before tax decreased to RM8.8 million in the second quarter 2016 as compared to a loss before tax of RM41.4 million for the immediate preceding quarter mainly due to unrealised foreign currency translation gain.

**17. COMMENTARY ON PROSPECTS**

As at 30 June 2016, the Group has an outstanding main fabrication order book of RM132.5 million and outstanding minor fabrication, crane manufacturing & repairs and supply of equipment order books of RM8.9 million.

The Group is exploring various ways to raise funds required to complete the FPSO Layang conversion works and to monetize and unlock the value of the Group's assets to generate cash flows and improve its working capital.

Moving forward, the Group expects the fabrication business to remain challenging in view of the present competitive environment and CAPEX cut as announced by oil majors.

The Group plans to expand into the refurbishment and maintenance works and non-oil and gas related fabrication works which is expected to provide a more stable and recurring income to the Group.

**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**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**

	<b>2nd Quarter ended 30/6/2016 (RM'000)</b>	<b>2nd Quarter ended 30/6/2015 (RM'000)</b>	<b>Cummulative period ended 30/6/2016 (RM'000)</b>	<b>Cummulative period ended 30/6/2015 (RM'000)</b>
<b><u>Tax Expense</u></b>				
Current year	-	41	-	81
Under/(Over) provision in prior year	-	-	-	-
<b><u>Deferred tax expense</u></b>				
Origination and reversal of temporary differences	-	-	-	-
<b>Total Tax Expenses</b>	<b>-</b>	<b>41</b>	<b>-</b>	<b>81</b>

**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 30 June 2016.

**22. STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals announced but not completed as at the date of this report.

**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**23. BORROWINGS AND DEBT SECURITIES**

	Group	
	As at 30 June 2016 (RM'000)	As at 31 December 2015 (RM'000)
<b><u>Long Term Borrowings</u></b>		
- Finance lease liabilities	483	577
- Sukuk	10,756	49,775
- Secured term loan	70,000	15,429
<b>Sub Total</b>	<b>81,239</b>	<b>65,781</b>
<b><u>Short Term Borrowings</u></b>		
- Sukuk	169,910	189,772.00
- Secured term loan	8,358	8,358.00
- Overdraft- unsecured	6,361	11,561.00
- Bridger loan - unsecured	60,000	60,000.00
- Revolving credit facilities - unsecured	73,750	68,750
- Trust receipt - secured	1,828	2,818
- Finance lease liabilities	272	304
<b>Sub Total</b>	<b>320,479</b>	<b>341,563</b>
<b>Total borrowings</b>	<b>401,718</b>	<b>407,344</b>

**24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at 30 June 2016.

**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:

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**25. CHANGES IN MATERIAL LITIGATION (CONTINUED)**

(a) **Ramunia Fabricators Sdn Bhd v Global Fabricators Sdn Bhd (Kuala Lumpur High Court, Suit No. 22NCC-752-2011)**

Ramunia Fabricators Sdn Bhd (now known as THHE Fabricators Sdn Bhd (“THF”) has brought an action against Global Fabricators Sdn Bhd (“GFSB”) seeking a declaration, inter alia, that there was no outstanding debt due and owing to GFSB in respect of an Engineering, Procurement, Construction and Commissioning, and Loadout of Offshore Platform Topsides for the Pluto Gas Field in the Western Australia’s Carnavon Basin Project (“Pluto Project”); Procurement and Construction of KUJT-A Jacket for Kumang Cluster Development Project (Phase 1) (“Kumang Project”); and Procurement and Construction of Melor (MLDP-A) Drilling Platform Jacket for Tangga Barat Cluster Development Project (Phase 1) (“Melor Project”).

The suit was filed on 4 May 2011 by THF against GFSB after GFSB issued a notice pursuant to Section 218 of the Act to THF. GFSB counterclaimed for, amongst others, sum allegedly due and owing under the Pluto Project, Kumang Project and Melor Project. THF has filed an application to stay GFSB’s counterclaim relating to the Kumang Project and Melor Project on the grounds that it was subject to an arbitration agreement. The counterclaim by GFSB under the Kumang Project and Melor Project amounted to RM4,632,778.10.

A Consent Judgment was entered into by both THF and GFSB on 23 November 2011 where THF admitted to owing GFSB an amount of RM200,795.12 in relation to the Pluto Project. Pursuant to the Consent Judgment, GFSB issued a Notice of Arbitration dated 13 March 2012 against THF in relation to both the Kumang Project and Melor Project. THF had nominated an arbitrator and had proposed to consolidate both arbitrations. However, till date, GFSB has yet to respond with its nomination of an arbitrator and no steps have been taken by GFSB to proceed with the arbitration.

The Group’s solicitor is of the opinion that THF has a good case to defeat the counter claim brought by GFSB.

(b) **Dynac Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court Suit No. 22NCVC-589-11/2015)**

Dynac Sdn Bhd (“DYNAC”) has brought an action against THHE Fabricators Sdn Bhd (“THF”) seeking a judgment in relation to supplies and services rendered for the Murphy’s Sarawak SK 311 Permas Development Project (“PERMAS Project”) and Bertam Field Development Project (“BERTAM Project”) for the sum of RM 4,021,935.42, including interests and costs.

On 11 December 2015, THF filed an application to stay the action on the basis of proceeding to arbitration to resolve DYNAC’s claims pursuant to the terms of an arbitration agreement in relation to the letter of awards made for the PERMAS Project and BERTAM Project. On 4 February 2016, the High Court ordered this action to be stayed pending reference to arbitration.

DYNAC has issued two Notices of Arbitration against THF on 28<sup>th</sup> April 2016 for both the BERTAM and PERMAS project. On 25<sup>th</sup> May, 2016, THF had requested for a copy of the contract referred to in the Notice of Arbitration.

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**25. CHANGES IN MATERIAL LITIGATION (CONTINUED)**

- (b) **Dynac Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court Suit No. 22NCVC-589-11/2015) (Continued)**

However to date, DYNAC has not taken any steps to proceed with the arbitration proceedings in relation to both the PERMAS Project and the BERTAM Project. The Group's solicitor could not conclude an opinion for this case as the arbitration proceedings is at preliminary stage.

- (c) **Alaf Pentawaris Sdn Bhd v THHE Fabricators Sdn Bhd (Shah Alam High Court Suit No. 22C-16-08/2015)**

Alaf Pentawaris Sdn Bhd ("ALAF") has brought an action against THHE Fabricators Sdn Bhd ("THF") seeking a judgment for work carried out in relation to the Construction of a New Bulkhead, Wharf, Shoreline Protection, Skid Track And Relieve Platform ("Construction Project") for the sum of RM 17,967,946.47 or alternatively damages and/or compensation, including interests and costs.

On 23<sup>rd</sup> September 2015, THF filed an application to stay ALAF's action on the basis of proceeding to arbitration to resolve ALAF's claims pursuant to the terms of an arbitration agreement in relation to the Letter of Award upon THF's award of the "Construction Project" to ALAF. The High Court allowed THHE's stay application.

ALAF has lodged an appeal to the Court of Appeal against the High Court's decision. ALAF has been instructed by the court to file its Record of Appeal on or before 19<sup>th</sup> September 2016. The next case management is fixed on 20<sup>th</sup> September 2016

The Group's solicitor is of the view that THF has a good chance of defending the stay of proceedings awarded by the High Court.

- (d) **Justrite Construction Sdn Bhd v THHE Offshore Services Sdn Bhd (Miri High Court Suit No.: MYY-22NCVC-16/8-2015)**

Justrite Construction Sdn Bhd ("JUSTRITE") has brought an action against THHE Offshore Services Sdn Bhd ("THHEOS") in the Miri High Court seeking a judgment for providing supplies to THHEOS. THHEOS filed an application to transfer the case to Kuala Lumpur but this application was not allowed.

THHEOS has since filed its defence and the next case management is fixed on 11<sup>th</sup> October 2016.

The Group's solicitor is of the view that THHEOS has a fair chance of defending this action.

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**25. CHANGES IN MATERIAL LITIGATION (CONTINUED)**

- (e) **Rotating Offshore Solutions Pte. Ltd. v TH Heavy Engineering Berhad (Kuala Lumpur High Court Suit No: WA-22NCC-149-04/2016)**

Rotating Offshore Solutions Pte. Ltd. (“ROS”) has brought an action against TH Heavy Engineering Berhad (“THHE”) in the Kuala Lumpur High Court for supply and design of the ‘Booster Compression Package’ with regard to the LAYANG FPSO Project for a sum of USD 1,622,500.

THHE has since entered appearance and filed its defence accordingly.

The Court has on 23<sup>rd</sup> August 2016, granted the Plaintiff’s application and summary judgement was entered against THHE for this claim with RM20,000 cost for both application.

The Group’s solicitor is of the view that THHE has a fair chance of appealing against the judgment entered. In the alternative, THHE’s management would consider the option to enter into a staggered settlement payment plan, if necessary.

- (f) **Kumpulan Agresif Sdn Bhd v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court Suit No: WA-22NCC-80-02/2016)**

Kumpulan Agresif Sdn Bhd (“KASB”) has brought an action against THHE Fabricators Sdn Bhd (“THF”) seeking a judgment in relation to supplies and services rendered for the Murphy’s Sarawak SK 311 Permas Development Project (“PERMAS Project”), Bertam Field Development Project (“BERTAM Project”) and Laila Field Development Project (“LAILA Project”) for the sum of RM 5,406,312.62.

KASB has served application for summary judgment and the court has on 17<sup>th</sup> May 2015 ordered that summary judgment be entered against THF for the sum of RM5,406,312.62 together with interest at the rate of 5% per annum on the outstanding amount from the date of the filing till settlement date together with costs of RM4,000.00 and further subject to 4% for allocator fees.

KASB has on 16<sup>th</sup> August 2016, through Execution No. WA-37G-45-07/2016 served THF, Affin Islamic Bank Berhad (“Affin”), Asian Finance Bank Berhad (“AFB”) and Maybank Islamic Berhad (“Maybank”) respectively, Notice of Application of Garnishee Order. The execution for Affin and AFB are fixed for case management on 21<sup>st</sup> September 2016 and for Maybank is fixed on 19<sup>th</sup> September 2016.

- (g) **Next Petroleum Sdn Bhd . v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court Suit No: WA-22NCC-352-06/2016)**

Next Petroleum Sdn Bhd (“NEXTP”) has brought an action in the Kuala Lumpur High Court against THHE Fabricators Sdn Bhd. (“THF”). The amount claimed is for providing supplies to THF amounting to RM3,159,400.68 for Murphy’s Sarawak SK 311 Permas Development Project (“PERMAS Project”), Bertam Field Development Project (“BERTAM Project”).

THF has since entered appearance and filed its defence accordingly. The matter is fixed for case management on 20<sup>th</sup> September 2016. .

The Group’s solicitor is of the view that THF has a fair chance of defending this action.

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**25. CHANGES IN MATERIAL LITIGATION (CONTINUED)**

- (h) **Swift Energy Sdn Bhd . v THHE Fabricators Sdn Bhd (Kuala Lumpur High Court Suit No: WA-22NCC-303-05/2016)**

Swift Energy Sdn Bhd (“SWIFT”) has brought an action in the Kuala Lumpur High Court against THHE Fabricators Sdn Bhd. (“THF”). The amount claimed is in relation to supply and delivery of goods and services to THF amounting to RM2,545,250.59.

THF has since entered appearance and filed its defence accordingly. The matter is fixed for next case management on 15<sup>th</sup> September 2016.

The Group’s solicitor is of the view that THF has a fair chance of defending this action.

- (i) **NKA Energy Ventures Sdn Bhd . v THHE Fabricators Sdn Bhd (High Court, Bintulu Suit No: BTU-22NCC-3/5-2016)**

NKA Energy Ventures Sdn Bhd (“NKA”) has brought an action in the High Court, Bintulu against THHE Fabricators Sdn Bhd. (“THF”). The amount claimed is in relation to supply and delivery of goods and services for Murphy’s Sarawak SK 311 Permas Development Project (“PERMAS Project”) amounting to RM5,302,961.54.

THF has since entered appearance and filed its defence accordingly. The matter is fixed for case management on 26<sup>th</sup> September 2016.

The Group’s solicitor is of the view that THF has a fair chance of defending this action.

- (j) **Soft Triangle Services Sdn Bhd V TH Heavy Engineering Berhad (High Court of Shah Alam Suit No. BA-28NCC-255-06/2016)**

A winding - up petition was presented against TH Heavy Engineering Berhad (“THHE”) on 3<sup>rd</sup> June 2016 to the High Court of Malaya at Shah Alam by Soft Triangle Services Sdn Bhd (“STS”). The Petition was not served at the registered address of the Company to date. STS is claiming for mobilization of manpower, tools and equipment for the amount of RM 2,713,214.87.

THHE sought the necessary legal advice to defeat the petition altogether. THHE has been advised that the Winding-Up Petition filed, was erroneously served, defective in nature and was without basis. Further, the sum claimed by STS is not actually due and owing as the Petitioner is itself in breach of contract which disentitled STS from claiming such sum. The matter has been amicably resolved between THHE and STS. STS’s representative has on 1<sup>st</sup> July 2016 withdrawn the Winding-Up Petition.



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**25. CHANGES IN MATERIAL LITIGATION (CONTINUED)**

**(k) Orwell Offshore Ltd V TH Heavy Engineering Berhad (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-544-06/2016)**

The winding - up petitions against TH Heavy Engineering Berhad (“THHE”) was presented on 30<sup>th</sup> June 2016 to the Kuala Lumpur High Court of Malaya by Orwell Offshore Ltd (“Orwell”) and a copy was served to THHE’s registered address on 4<sup>th</sup> July 2016.

It was contended by the Petitioner that THHE owes Orwell the sums claimed for the supply of equipment and machinery for the FPSO Layang project to the Petitioner amounting to USD 7,607,440.74. THHE had instructed its solicitor to file an application to strike out the Petition and stay the Petition pending reference to arbitration. Pending disposal of the above application,

THHE also applied for an interim injunction to restrain Orwell from advertising the Petition and had given notice to Orwell’s solicitor not to advertise as it would tantamount to an interference to due administration of justice.

The hearing for the striking out, stay and interim injunction application is fixed on 4<sup>th</sup> October 2016.

THHE has sought for necessary legal advice on the matter with a view of defeating the petition altogether. The Group’s solicitor is of the view that THHE has a fair chance of defending this action.

**(l) MIB ITALIANA S.P.A V TH Heavy Engineering Berhad (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-548-07/2016)**

The winding - up petition against TH Heavy Engineering Berhad (“THHE”) was presented on 1<sup>st</sup> July 2016 to the Kuala Lumpur High Court of Malaya by MIB ITALIANA S.P.A (“MIB”) and a copy was served to THHE’s registered address on 4<sup>th</sup> July 2016.

It was contended by MIB that THHE owes MIB the sums claimed for the supply and installation of quick release hook & mooring hawser for the FPSO Layang project. MIB’s claim is for USD 1,266,496.80.

THHE had instructed its solicitor to file an application to strike out the Petition or alternatively stay the Petition pending reference to arbitration. Pending disposal of the above application, THHE also applied for an interim injunction to restrain MIB from advertising the Petition and had given notice to MIB’s solicitor not to advertise as it would tantamount to an interference to due administration of justice.

MIB had on 26<sup>th</sup> July 2016 advertised the Petition on The Malay Mail. As a consequence, THHE had instructed its solicitor to ask leave for an order for committal against MIB and its officer. The leave application was heard on 8<sup>th</sup> August 2016, and the Court had granted leave to THHE to apply for an order for committal against MIB and its Managing Director. THHE has filed for an application for committal proceedings. The hearing date for committal proceedings and case management for stay/striking out application is fixed, separately, on 19<sup>th</sup> October 2016.

THHE has sought for necessary legal advice on the matter with a view of defeating the petition altogether. The Group’s solicitor is of the view that THHE has a fair chance of defending this action.

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**25. CHANGES IN MATERIAL LITIGATION (CONTINUED)**

- (m) **Bicara Sepakat Sdn Bhd V THHE Fabricators Sdn Bhd (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-623-07/2016)**

The winding-up petition against THHE Fabricators Sdn Bhd (“THF”) was presented on 26<sup>th</sup> July 2016 to the Kuala Lumpur High Court of Malaya by Bicara Sepakat Sdn Bhd (“BSSB”) and a copy was served to THF’s registered address on 28<sup>th</sup> July 2016.

It was contended by BSSB that THF owes BSSB the sums claimed for the Provision of Piping Fabrication, Installation, Hydrotest and Reinstatement Works amounting to RM960, 877.98. The matter is fixed for hearing on 30<sup>th</sup> September 2016.

THF has sought for necessary legal advice on the matter with a view of defeating the petition altogether. The Group’s solicitor is of the view that THF has a fair chance of defending this action.

- (n) **Nusapetro Sdn Bhd V TH Heavy Engineering Berhad (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-622-07/2016)**

The winding-up petition against TH Heavy Engineering (“THHE”) was presented on 26<sup>th</sup> July 2016 to the Kuala Lumpur High Court of Malaya by Nusapetro Sdn Bhd (“Nusapetro”) and a copy was served to THHE’s registered address on 28<sup>th</sup> July 2016.

It was contended by Nusapetro that THHE owes Nusapetro the sums claimed for the Provision for the supply of AP610 centrifugal pumps package for the FPSO Layang project amounting to RM1,605,285.00. The matter is fixed for case management on 19<sup>th</sup> September 2016 and fixed for hearing on 30<sup>th</sup> September 2016.

THHE has sought for necessary legal advice on the matter with a view of defeating the petition altogether. The Group’s solicitor is of the view that THHE has a fair chance of defending this action.

- (l) **Eftech International Sdn Bhd V THHE Fabricators Sdn Bhd (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-622-07/2016)**

The winding-up petition against THHE Fabricators Sdn Bhd (“THF”) was presented on 29<sup>th</sup> July 2016 to the Kuala Lumpur High Court of Malaya by Eftech International Sdn Bhd (“EFTECH”) and a copy was served to THF’s registered address on 3<sup>rd</sup> August 2016.

EFTECH’s claim is for RM1,812,316.00. It was contended by EFTECH that THF owes EFTECH the sums claimed for non payment of invoices for services rendered and pursuant to an order of court dated 26 April 2016 in Kuala Lumpur High Court vide suit no. WA-22NCVC-6-01/2016. The court has ordered that summary judgment be entered against THF for the sum of RM1,812,316.00 together with interest at the rate of 5% per annum on the outstanding amount from the date of the filing of the summary judgment application till settlement date together with costs of RM7000.00.

The matter is fixed for hearing on 29<sup>th</sup> September 2016.

THHE has sought for necessary legal advice on the matter with a view of defeating the petition altogether. The Group’s solicitor is of the view that THHE has a fair chance of defending this action.

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**25. CHANGES IN MATERIAL LITIGATION (CONTINUED)**

- (m) **Six Tee Engineering Groups Pte Ltd V TH Heavy Engineering Berhad (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-628-07/2016)**

The winding-up petition against TH Heavy Engineering Berhad (“THHE”) was presented on 28<sup>th</sup> July 2016 to the Kuala Lumpur High Court of Malaya by Six Tee Engineering Groups Pte Ltd (“STE”) and a copy was served to THHE’s registered address on 9<sup>th</sup> August 2016.

It was contended by STE that THHE owes STE the sums claimed for the provision of service to the execution of Hull and Marine (RLEC) Detailed Design for the Layang FPSO Project amounting to RM3,603,140.72.

The matter is fixed for case management on 5<sup>th</sup> September 2016 and fixed for hearing on 29<sup>th</sup> September 2016.

THHE has sought for necessary legal advice on the matter with a view of defeating the petition altogether. The Group’s solicitor is of the view that THHE has a fair chance of defending this action.

- (n) **Cescotechnologies Sdn Bhd V THHE Fabricators Sdn Bhd (Kuala Lumpur High Court of Malaya Suit No. WA-28NCC-641-08/2016)**

The winding-up petition against THHE Fabricators Sdn Bhd (“THF”) was presented on 2<sup>nd</sup> August 2016 to the Kuala Lumpur High Court by Cescotechnologies Sdn Bhd (“CESCO”) and a copy was served to THF’s registered address on 11<sup>th</sup> August 2016. The Statement of Claim dated 14<sup>th</sup> July 2015 was presented to THF on 21<sup>st</sup> July 2015. The summary judgement dated 7<sup>th</sup> December 2015 was served on THF on 4<sup>th</sup> January 2016.

CESCO’s claim is for RM480,830.00 is in relation to supply of manpower and sale of goods and consumables.

It was contended by CESCO that THF owes CESCO the sums claimed pursuant to summary judgment dated 7<sup>th</sup> December 2015 granted in Kuala Lumpur Sessions Court vide suit no. B52NCVC-274-07/2015. The court ordered that summary judgment be entered against THF for the sum of RM480,830.00 together with interest at the rate of 5% per annum on the outstanding amount from the date of the filing of the summary judgment application till settlement date together with costs of RM3000.00.

The case management is fixed on 14<sup>th</sup> September 2016 and hearing is fixed on 7<sup>th</sup> October 2016.

THF has sought for necessary legal advice on the matter with a view of defeating the petition altogether. The Group’s solicitor is of the view that THF has a fair chance of defending this action.

**26. PROPOSED DIVIDENDS**

No dividends have been proposed for the current reporting quarter.

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**27. LOSS PER SHARE**

Loss per share ('LPS')	SECOND QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Financial Period	Preceding Corresponding
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
Loss for the purpose of basic earnings per share (RM'000)	(6,848)	(6,091)	(40,290)	(24,941)
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	1,121,077	1,111,077	1,121,077	1,111,077
<b>Basic LPS (sen)</b>	<b>(0.61)</b>	<b>(0.55)</b>	<b>(3.59)</b>	<b>(2.24)</b>
Adjusted loss for the purpose of diluted earnings per share (RM'000)	(6,848)	(6,091)	(40,290)	(24,941)
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	1,121,077	1,111,077	1,121,077	1,111,077
Conversion of ICPS-i	1,100,000	-	1,100,000	-
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	<b>2,221,077</b>	<b>1,111,077</b>	<b>2,221,077</b>	<b>1,111,077</b>
<b>Diluted LPS (sen)</b>	<b>(0.31)</b>	<b>(0.55)</b>	<b>(1.81)</b>	<b>(2.24)</b>

**28. REALISED AND UNREALISED PROFITS**

The breakdown of the retained profits of the Group as at 30 June 2016 into realised and unrealised 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.

	<b>As at 30-Jun-16 (RM'000)</b>	<b>As at 31-Dec-15 (RM'000)</b>
Total accumulated losses of the Company and its subsidiaries:-		
- realised	(370,784)	(390,767)
- unrealised	(8,855)	52,981
Total Group accumulated losses	(379,639)	(337,786)
Add: Consolidation adjustments	277,099	275,537
<b>Total Group accumulated losses as per consolidated accounts</b>	<b>(102,540)</b>	<b>(62,249)</b>

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**29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME**

	<b>Quarter ended 30/6/2016 (RM'000)</b>	<b>Cummulative Period ended 30/6/2016 (RM'000)</b>
Interest income	178	(303)
Interest expense	4,468	8,726
Amortisation	7	13
Depreciation	4,509	9,116
Unrealised forex (gain)/loss	(8,786)	18,080
Realised forex gain	(50)	(523)

**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.