

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

THE REVISED STATEMENT OF COMPREHENSIVE INCOME				
	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-Sep-16 <u>As restated</u> RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Sep-15 Unaudited RM'000	CURRENT YEAR TO DATE 30-Sep-16 <u>As restated</u> RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Sep-15 Unaudited RM'000
Revenue	(9,117)	26,173	13,122	92,898
Cost of sales	(21,608)	(25,675)	(38,492)	(102,844)
Gross (loss)/profit	(30,725)	498	(25,370)	(9,946)
Other income	643	-	5,600	2,029
Administration expenses	(13,337)	(13,638)	(37,096)	(41,903)
Other expenses	(64,802)	(1,840)	(64,802)	-
Operating loss	(108,221)	(14,980)	(121,668)	(49,820)
Unrealised foreign exchange gain/(loss), net	9,440	17,595	(8,640)	20,915
Finance cost	(387)	(1,496)	(9,113)	(5,659)
Share of (loss)/profit of equity-accounted associate, net of tax	(3,073)	468	(13,136)	334
Share of loss of equity-accounted joint venture, net of tax	-	(16)	-	(1,040)
(Loss)/Profit before taxation	(102,241)	1,571	(152,557)	(35,270)
Taxation	-	(27)	-	(108)
(Loss)/profit after taxation	(102,241)	1,544	(152,557)	(35,378)
Other comprehensive loss for the period, net of tax	(1,875)	6,880	(1,875)	6,880
Total comprehensive loss for the period	<u>(104,116)</u>	<u>8,424</u>	<u>(154,432)</u>	<u>(28,498)</u>
Loss attributable to:				
Owners of the Company	(131,641)	(5,223)	(171,931)	(30,164)
Non-controlling interests	29,400	6,767	19,374	(5,214)
	<u>(102,241)</u>	<u>1,544</u>	<u>(152,557)</u>	<u>(35,378)</u>
Total comprehensive loss attributable to:-				
Owners of the Company	(123,490)	1,657	(173,806)	(23,284)
Non-controlling interests	19,374	6,767	19,374	(5,214)
	<u>(104,116)</u>	<u>8,424</u>	<u>(154,432)</u>	<u>(28,498)</u>
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic loss per share	(11.74)	(0.47)	(15.34)	(2.70)
ii) Fully diluted loss per share	(5.93)	(0.40)	(7.74)	(2.32)
Gross interest income	(101)	16	404	69
Gross interest expense	387	1,496	9,113	5,659

(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 SEPTEMBER 2016**

	As at 30-Sep-16 Unaudited RM'000	As at 31-Dec-15 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,142,747	995,573
Intangible assets	462	481
Investment in associate	-	139,306
Investment in joint ventures	-	-
	<u>1,143,209</u>	<u>1,135,360</u>
Current Assets		
Inventories	10,509	9,706
Trade and other receivables	147,657	207,708
Prepayments	1,593	1,798
Current tax asset	792	446
Cash and cash equivalents	37,188	78,119
	<u>197,739</u>	<u>297,777</u>
	<u>1,340,948</u>	<u>1,433,137</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	280,269	280,269
Islamic Irredeemable Convertible Preference Shares ('ICPS-i')	275,000	275,000
Share premium	95,029	95,029
Revaluation reserves	28,317	28,317
Currency translation reserves	18,494	20,369
Accumulated losses	(262,591)	(62,249)
	434,518	636,735
Non-controlling interests	3,638	27,584
Total Equity	<u>438,156</u>	<u>664,319</u>
Non Current Liabilities		
Deferred tax liabilities	214	214
Borrowings	75,601	65,781
	<u>75,815</u>	<u>65,995</u>
Current Liabilities		
Trade and other payables	500,511	361,260
Borrowings	326,466	341,563
	<u>826,977</u>	<u>702,823</u>
Total Liabilities	<u>902,792</u>	<u>768,818</u>
TOTAL EQUITY AND LIABILITIES	<u>1,340,948</u>	<u>1,433,137</u>
Net assets per share (sen)	39	57

(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 SEPTEMBER 2016**

	Share Capital (RM'000)	ICPS-i (RM '000)	Share Premium (RM'000)	Revaluation Reserves (RM'000)	Currency Translation Reserves (RM'000)	Accumulated Losses (RM'000)	Total (RM'000)	Non-controlling interest (RM'000)	Total Equity (RM'000)
Balance at 1 January 2016	280,269	275,000	95,029	28,317	20,369	(62,249)	636,735	27,584	664,319
Other comprehensive loss for the period	-	-	-	-	(1,875)	-	(1,875)	-	(1,875)
Loss for the period	-	-	-	-	-	(171,931)	(171,931)	19,374	(152,557)
Total comprehensive loss for the period	-	-	-	-	(1,875)	(171,931)	(173,806)	19,374	(154,432)
Changes in interest by non controlling interest	-	-	-	-	-	(28,411)	(28,411)	(43,320)	(71,731)
Total transaction with owners of the Company	-	-	-	-	-	(28,411)	(28,411)	(43,320)	(71,731)
Balance at 30 September 2016	280,269	275,000	95,029	28,317	18,494	(262,591)	434,518	3,638	438,156

	Share Capital (RM'000)	ICPS-i (RM '000)	Share Premium (RM'000)	Revaluation Reserves (RM'000)	Currency Translation Reserves (RM'000)	Retained Profits (RM'000)	Total (RM'000)	Non-controlling interest (RM'000)	Total Equity (RM'000)
Balance at 1 January 2015	277,769	-	94,511	28,317	4,492	(16,914)	388,175	15,571	403,746
Other comprehensive income for the period	-	-	-	-	6,880	-	6,880	-	6,880
Loss for the period	-	-	-	-	-	(30,164)	(30,164)	(5,214)	(35,378)
Total comprehensive loss for the period	-	-	-	-	6,880	(30,164)	(23,284)	(5,214)	(28,498)
Issuance of shares	2,500	275,000	693	-	-	-	278,193	-	278,193
Changes in ownership interests in a subsidiary	-	-	-	-	-	-	-	10,500	10,500
Balance at 30 September 2015	280,269	275,000	95,204	28,317	11,372	(47,078)	643,084	20,857	663,941

(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 SEPTEMBER 2016**

	CURRENT YEAR TO DATE 30-Sep-16 (RM'000)	CUMMULATIVE QUARTER CORRESPONDING PRECEDING YEAR 30-Sep-15 (RM'000)
Loss before taxation	(152,557)	(35,270)
Adjustments for:		
Amortisation of intangible assets	19	32
Depreciation of property, plant and equipment	13,571	11,104
Finance costs	9,113	5,659
Finance income	(404)	(69)
Inventories written off	-	8
Loss on disposal of associate	56,300	-
Share of loss/(profit) of associate	13,136	(334)
Share of loss of joint venture	-	1,040
Unrealised foreign exchange loss/(gain)	8,640	(20,915)
Operating profit/(loss) before changes in working capital	(52,182)	(38,745)
Changes in working capital:		
Inventories	(803)	(5,504)
Trade and other receivables	49,755	229,522
Trade and other payables	139,251	(150,384)
Net cash generated/(used in) from operations	136,021	34,889
Interests received	404	69
Interests paid	(9,113)	(5,659)
Tax paid	(346)	(108)
Net cash from operating activities	126,966	29,191
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(154,271)	(311,501)
Acquisition of investment in associate	-	(325)
Decrease/(Increase) in pledged deposits placed with licensed banks, net	13,098	(20,537)
Changes in interest by non controlling interest	-	-
Net cash from investing activities	(141,173)	(332,363)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	3,193
Proceeds from issuance of ICPS-i	-	275,000
(Repayment)/Proceeds from loans and borrowings, net	(5,277)	227,347
Net cash from financing activities	(5,277)	505,540
Net change in cash and cash equivalents	(19,484)	202,368
Effect of exchange rate translation	(8,349)	-
Cash and cash equivalents at beginning of period	31,523	78,227
Cash and cash equivalents at end of financial period	3,690	280,595
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	2,963	18,337
Deposits placed with licensed banks	34,225	313,979
	37,188	332,316
Less: Deposits pledged	(33,498)	(51,721)
	3,690	280,595

(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 September 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.

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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 RM9.3 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 except as disclosed in the Note 16.

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.

TH HEAVY ENGINEERING BERHAD (634775-D)
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9. SEGMENTAL REPORTING

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

	Financial Period Ended 30 September 2016		(Loss)/Profit Before Taxation
	Revenue	Revenue	
	As previously stated	As restated	(RM'000)
	(RM'000)	(RM'000)	
Business Segment			
Construction Services	1,409	9,911	(71,827)
Offshore Crane Works	4,544	4,544	52
Offshore Services	-	-	(739)
Others	7,582	7,582	(38,596)
Sub Total	13,535	22,037	(111,110)
Consolidation Adjustment	(8,915)	(8,915)	(41,447)
Total	4,620	13,122	(152,557)

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

The Company has on 27 October 2016 entered into a Joint Venture Agreement (“JVA”) with Destini Berhad to establish an unincorporated joint venture to procure the award of contract in relation to the works related to the supply, delivery, testing and commissioning of three (3) units of approximately 80 metres Offshore Patrol Vessels (“OPV”) complete with fittings and accessories for the Malaysian Maritime Enforcement Agency (“MMEA”), including the performance of an Industrial Collaboration Program as required by the Government of Malaysia and thereafter to undertake the execution and completion of the works in relation to the Project on a negotiated proposal basis.

The JVA follows a Letter of Intent dated 27 July 2016, received by the Company, for the supply, delivery, testing and commissioning of the OPV for MMEA.

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12. SIGNIFICANT EVENTS

The Company had on 23 September 2016 entered into a framework agreement with McDermott Holdings (M) Sdn. Bhd., McDermott Capital Malaysia Sdn. Bhd., J.Ray McDermott, S.A, Berlian McDermott Sdn. Bhd.("BMD"), THHE Fabricators Sdn. Bhd.("THF"), THHE McDermott Projects Services Sdn. Bhd. ("TMPS") and THHE McDermott Engineering Sdn. Bhd. ("TME") to mutually unwind the joint ventures in respect of BMD and THF and termination of the joint ventures in BMD, THF, TME and TMPS ("Framework Agreement"), upon and subject to the conditions set out in the Framework Agreement. The termination of JV has been completed on 30 September 2016.

13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Group (RM'000)
Potential liquidated damages claim by customer	<u>37,080</u>

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

15. CAPITAL COMMITMENTS

	Group (RM'000)
- Approved and contracted for	307,342
- Approved but not contracted for	<u>76,266</u>
	<u>383,608</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.

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

16. REVIEW OF PERFORMANCE OF THIRD QUARTER

	Revenue		(Loss)/Profit Before Tax	
	3rd Quarter ended 30/9/2016 (RM'000)	3rd Quarter ended 30/9/2015 (RM'000)	3rd Quarter ended 30/9/2016 (RM'000)	3rd Quarter ended 30/9/2015 (RM'000)
	As restated			
Business Segment				
Construction Services	(8,899)	15,353	(52,244)	(11,073)
Offshore Crane Works	22	11,771	(934)	(274)
Offshore Services	-	-	(127)	(672)
Others	3,099	2,411	(18,585)	13,353
Sub Total	(5,778)	29,535	(71,890)	1,334
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	(3,073)	468
Share of loss of equity-accounted joint venture, net of tax	-	-	-	(16)
Consolidation adjustment	(3,339)	(3,362)	(27,278)	(215)
Total	(9,117)	26,173	(102,241)	1,571

The Group recorded negative revenue of RM9.1 million for the third quarter 2016 as compared to RM26.2 million in the previous third quarter of 2015. The decrease in revenue is due to the negative disputed change order resulting in reduction of project scope of an ongoing project.

The Group recorded a loss before tax of RM102.2 million in the current quarter as compared to profit before tax of RM1.6 million in the corresponding quarter of 2015 mainly due to one off loss on disposal of an associate of RM56.3 million, reduction of project scope of an ongoing project as well as lower unrealized forex gain.

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17. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		(Loss)/Profit Before Tax	
	3rd Quarter ended 30/9/2016 (RM'000)	2nd Quarter ended 30/6/2016 (RM'000)	3rd Quarter ended 30/9/2016 (RM'000)	2nd Quarter ended 30/6/2016 (RM'000)
	As restated			
Business Segment				
Construction Services	(8,899)	6,753	(52,244)	(12,241)
Offshore Crane Works	22	962	(934)	(1,312)
Offshore services	-	-	(127)	(193)
Others	3,099	2,242	(18,585)	7,344
Total	(5,778)	9,957	(71,890)	(6,402)
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	(3,073)	(2,481)
Share of loss of equity-accounted joint venture, net of tax	-	-	-	-
Consolidation adjustment	(3,339)	(2,242)	(27,278)	-
Total	(9,117)	7,715	(102,241)	(8,883)

For the current quarter under review, the Group recorded negative revenue of RM9.1 million as compared to RM7.7 million in the immediate preceding quarter ended 30 June 2016. The Group's loss before tax increased to RM102.2 million in the third quarter 2016 as compared to a loss before tax of RM8.8 million for the immediate preceding quarter mainly due to loss on disposal of an associate of RM56.3 million as well as reduction of project scope of an ongoing project.

18. COMMENTARY ON PROSPECTS

As at 30 September 2016, the Group has an 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 ship building activities as well as 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.

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19. PROFIT FORECAST

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

20. TAXATION

	3rd Quarter ended 30/9/2016 (RM'000)	3rd Quarter ended 30/9/2015 (RM'000)	Cummulative period ended 30/9/2016 (RM'000)	Cummulative period ended 30/9/2015 (RM'000)
<u>Tax Expense</u>				
Current year	-	27	-	108
Under/(Over) provision in prior year	-	-	-	-
<u>Deferred tax expense</u>				
Origination and reversal of temporary differences	-	-	-	-
Total Tax Expenses	-	27	-	108

21. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

22. 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 2016.

23. STATUS OF CORPORATE PROPOSALS

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

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24. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 30 September 2016 (RM'000)	As at 31 December 2015 (RM'000)
<u>Long Term Borrowings</u>		
- Finance lease liabilities	480	577
- Sukuk	69,737	49,775
- Secured term loan	5,384	15,429
Sub Total	75,601	65,781
<u>Short Term Borrowings</u>		
- Sukuk	169,968	189,772
- Secured term loan	14,098	8,358
- Overdraft- unsecured	6,487	11,561
- Bridger loan - unsecured	60,000	60,000
- Revolving credit facilities - unsecured	73,750	68,750
- Trust receipt - secured	1,891	2,818
- Finance lease liabilities	272	304
Sub Total	326,466	341,563
Total borrowings	402,067	407,344

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

26. 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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26. 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 28th April 2016 for both the BERTAM and PERMAS project. On 25th May, 2016, THF had requested for a copy of the contract referred to in the Notice of Arbitration.

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26. 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)**

On 26.10.2016, DYNAC had proposed suitable candidate for the arbitrator and THF will be responding to the appointment in due course.

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 23rd 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 19th September 2016. The hearing for the appeal is now fixed on 10th January 2017.

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.

The trial date is fixed from 6th February 2017 to 9th February 2017

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

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26. 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 23rd August 2016, granted the Plaintiff’s application and summary judgement was entered against THHE for this claim with RM20,000 cost for both application.

ROS has served notice of Section 218 of the Company Act 1965 on 26th October 2016. THHE shall file an application under Order 45 rule 11 of the Rules of Courts to file for stay execution of the judgment and injunctive relief.

The hearing date is fixed on 19th January 2017 is for THHE’s application under Order 45 rule 11 of the Rules of Courts to file for stay execution of the judgment and injunctive relief.

The Group’s solicitors is of the view that THHE has a fair chance of obtaining the stay execution and injunctive relief. 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 17th 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 16th 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 21st September 2016 and for Maybank is fixed on 19th September 2016.

KASB failed to obtain garnishee order absolute against Asian Finance Bank but has obtained garnishee order for Affin Islamic Bank and Maybank Islamic Berhad.

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (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.

Next Petroleum Sdn Bhd have filed application for summary judgment and the date for hearing of the Summary Judgment application is fixed on 7th December 2016

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

- (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.

SWIFT has filed application for summary judgment and the date for hearing of the Summary Judgment application is fixed on 16th December 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 trial date is fixed from 13th to 16th December 2016.

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

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (j) **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 30th 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 4th 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. THHE has filed the application for striking out, stay and interim injunction. THHE's application for stay or striking out is fixed for hearing on 21st January 2017.

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.

- (k) **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 1st 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 4th 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 26th 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 8th 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 19th October 2016.

The hearing date on the issues of contemnor attendance is fixed on 10th January 2017.

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

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (l) **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 26th 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 28th 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.

THF has obtained a permanent stay of the Winding Up Order via THF’s Summons In Chambers dated 22nd November 2016. THF has sought for necessary legal advice on the matter. The Group’s solicitor is of the view that THF has a fair chance of obtaining the stay permanent stay order.

- (m) **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 26th 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 28th 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 petition has been withdrawn and was then struck out with no order as to costs during its hearing on 24th November 2016.

- (n) **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 29th 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 3rd 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 RM7,000.00.

The matter is fixed for hearing on 8th December 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.

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (o) **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 28th 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 9th 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 has now been withdrawn.

- (p) **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 2nd August 2016 to the Kuala Lumpur High Court by Cescotechnologies Sdn Bhd (“CESCO”) and a copy was served to THF’s registered address on 11th August 2016. The Statement of Claim dated 14th July 2015 was presented to THF on 21st July 2015. The summary judgment dated 7th December 2015 was served on THF on 4th January 2016. CESCO’s claim is for RM480,830.00 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 7th 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 RM3,000.00.

Both parties have agreed for the matter to be resolved amicably. CESCO will withdraw its petition by December 2016.

- (q) **Akra Engineering Sdn Bhd V THHE Fabricators Sdn Bhd (Shah Alam High Court Suit No. BA-28NCC-393-09/2016)**

The winding-up petition against THHE Fabricators Sdn Bhd (“THF”) was presented on 6th September 2016 to the Kuala Lumpur High Court by Akra Engineering Sdn Bhd (“AKRA”) and a copy was served to THF’s registered address on 8th September 2016.

The hearing date of the Winding-Up petition is fixed on 4th January 2017

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.

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (r) **NKA Energy Ventures Sdn Bhd V THHE Offshore Services Sdn Bhd (Civil Suit No.: BTU-22NCC-2/4-2016 (HC) was filed at the Bintulu High Court) (Continued)**

The winding-up petition against THHE Offshore Services Sdn Bhd (“THEOS”) was presented on 10th October 2016 to the Bintulu High Court by NKA Energy Ventures Sdn Bhd (“NKA”) and a copy was served to THEOS’s registered address on 14th October 2016.

The hearing date of the Winding-Up petition is fixed on 13th December 2016

THHEOS 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 THHEOS has a fair chance of defending this action.

- (s) **Zelican Sdn Bhd V THHE Offshore Services Sdn Bhd (Civil Suit No.: WA-22NCVC-236/04-2016 was filed at the Kuala Lumpur High Court).**

The winding-up petition against THHE Offshore Services Sdn Bhd (“THHEOS”) was presented on 31st October 2016 to the Kuala Lumpur High Court by Zelican Sdn Bhd (“ZELICAN”) and a copy was served to THEOS’s registered address on 9th November 2016.

The hearing date of the Winding-Up petition is fixed on 16th January 2017

THHEOS 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 THHEOS has a fair chance of defending this action.

- (t) **U.C Blasting & Painting Sdn Bhd V O&G Works Sdn Bhd (Civil Suit No.: WA-28NCC-773-09/2016 was filed at the High Court Malaya at Kuala Lumpur)**

The winding-up petition against O&G Works Sdn Bhd (“OGW”) was presented on 19th September 2016 to the High Court Malaya at Kuala Lumpur by U.C Blasting & Painting Sdn Bhd (“U.C”) and a copy was served to OGW’s registered address on 21st September 2016.

UC has confirmed in writing that UC will be withdrawing the Petition during the hearing on 25th November 2016.

- (u) **Global Mariner Offshore Services Sdn Bhd V TH Heavy Engineering Berhad (Civil Suit: WA-22NCC-374-11/2016 was filed at Kuala Lumpur High Court).**

Global Mariner Offshore Services Sdn Bhd (“GMOS”) has brought an action in the Kuala Lumpur High Court against TH Heavy Engineering Berhad. (“THHE”). The amount claimed is amounting to RM17,974,095.00. GMOS filed Originating Summon and Notice of Application for Fortuna Injunction to prevent THHE from presenting a winding up petition against GMOS. This is in response to a Notice of Section 218 of the Company Act 1965 served by THHE to GMOS on 8th September 2016.

Inter-parte hearing initially fixed on 16th November 2016 is vacated and converted to case management for parties to exhaust affidavits and obtain fresh direction on filing of submissions.

Both Originating Summon and Notice of Application for interim injunction are fixed for hearing on 12th January 2017. In the meantime, the extension of the ad interim injunction is accordingly granted until the next hearing date

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (v) **Global Mariner Offshore Services Sdn Bhd V TH Heavy Engineering Berhad (Civil Suit: WA-22NCC-588-09/2016 was filed at Kuala Lumpur High Court).**

Global Mariner Offshore Services Sdn Bhd (“GMOS”) has brought an action in the Kuala Lumpur High Court against TH Heavy Engineering Berhad. (“THHE”). The amount claimed is amounting to USD 3,196,952.47 together with interest. GMOS is claiming for purported debt on the technical expertise services in the conversion of Layang FPSO.

THHE has filed memorandum of appearance on 6 October 2016 and on 11th November 2016, filed its defence and counterclaim to the following:-

- i) Globalmariner Offshore Services Sdn Bhd
- ii) Zahar Mohd Hashim Zainuddin
- iii) Abdul Rahman Bin Mohamed Shariff
- iv) Nor Badli Munawir Bin Mohamad Alias Lafti
- v) Global Mariner Offshore Services (L) Ltd
- vi) Dynac Sdn Bhd
- vii) Rotating Offshore Solutions Pte Ltd

The Case Management is fixed on 6th December 2016 and GMOS will have to file their reply to the Counterclaim 9th December 2016.

THHE has sought for necessary legal advice on the matters. The Group’s solicitor is of the view that THHE has a fair chance of defending this action and a fair chance on the counterclaim.

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

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28. LOSS PER SHARE

Loss per share ('LPS')	THIRD QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Financial Period	Preceding Corresponding
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
Loss for the purpose of basic earnings per share (RM'000)	(131,641)	(5,223)	(171,931)	(30,164)
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	1,121,077	1,115,735	1,121,077	1,115,735
Basic LPS (sen)	(11.74)	(0.47)	(15.34)	(2.70)
Adjusted loss for the purpose of diluted earnings per share (RM'000)	(131,641)	(5,223)	(171,931)	(30,164)
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	1,121,077	1,115,735	1,121,077	1,115,735
Conversion of ICPS-i	1,100,000	183,333	1,100,000	183,333
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	2,221,077	1,299,068	2,221,077	1,299,068
Diluted LPS (sen)	(5.93)	(0.40)	(7.74)	(2.32)

29. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 September 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.

	As at 30-Sep-16 (RM'000)	As at 31-Dec-15 (RM'000)
Total accumulated losses of the Company and its subsidiaries:-		
- realised	(452,113)	(390,767)
- unrealised	585	52,981
Total Group accumulated losses	(451,528)	(337,786)
Add: Consolidation adjustments	188,937	275,537
Total Group accumulated losses as per consolidated accounts	(262,591)	(62,249)

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29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

		Quarter ended 30/9/2016 (RM'000)	Cummulative Period ended 30/9/2016 (RM'000)
Interest income		(101)	(404)
Interest expense		387	9,113
Impairment of amount due from contract	As restated	8,502	8,502
Amortisation		6	19
Depreciation		4,455	13,571
Loss on disposal of associate		56,300	56,300
Unrealised forex (gain)/loss		(9,440)	8,640
Realised forex gain		(638)	(1,161)

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.