

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-Sep-17 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Sep-16 Unaudited RM'000	CURRENT YEAR TO DATE 30-Sep-17 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Sep-16 Unaudited RM'000
Revenue	<b>416</b>	<b>(9,117)</b>	<b>5,045</b>	<b>13,122</b>
Cost of sales	(745)	<b>(21,608)</b>	(3,553)	(38,492)
Gross (loss)/profit	<b>(329)</b>	<b>(30,725)</b>	<b>1,492</b>	<b>(25,370)</b>
Other income	(2,014)	643	8,996	5,600
Administration expenses	(11,728)	(13,337)	(41,741)	(37,096)
Other expenses	(63)	(64,802)	(1,508)	(64,802)
Operating loss	<b>(14,134)</b>	<b>(108,221)</b>	<b>(32,761)</b>	<b>(121,668)</b>
Unrealised foreign exchange loss, net	(15,957)	9,440	(27,550)	(8,640)
Finance cost	(5,828)	(387)	(18,065)	(9,113)
Share of loss of equity-accounted associate, net of tax	-	(3,073)	-	(13,136)
Loss before taxation	<b>(35,919)</b>	<b>(102,241)</b>	<b>(78,376)</b>	<b>(152,557)</b>
Taxation	-	-	-	-
Loss after taxation	<b>(35,919)</b>	<b>(102,241)</b>	<b>(78,376)</b>	<b>(152,557)</b>
Other comprehensive income for the period, net of tax	(8,219)	(1,875)	(8,219)	(1,875)
Total comprehensive loss for the period	<b>(44,138)</b>	<b>(104,116)</b>	<b>(86,595)</b>	<b>(154,432)</b>
Loss attributable to:				
Owners of the Company	(32,152)	(131,641)	(70,125)	(171,931)
Non-controlling interests	(3,767)	29,400	(8,251)	19,374
	<b>(35,919)</b>	<b>(102,241)</b>	<b>(78,376)</b>	<b>(152,557)</b>
Total comprehensive loss attributable to:-				
Owners of the Company	(35,887)	(123,490)	(78,344)	(173,806)
Non-controlling interests	(8,251)	19,374	(8,251)	19,374
	<b>(44,138)</b>	<b>(104,116)</b>	<b>(86,595)</b>	<b>(154,432)</b>
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic loss per share	<b>(2.87)</b>	<b>(11.74)</b>	(6.26)	(15.34)
ii) Fully diluted loss per share	<b>(1.45)</b>	<b>(5.93)</b>	(3.16)	(7.74)
Gross interest income	<b>(27)</b>	<b>(101)</b>	138	404
Gross interest expense	<b>5,828</b>	<b>387</b>	18,065	9,113

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	As at 30-Sep-17 Unaudited RM'000	As at 31-Dec-16 Audited RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	980,124	960,947
Intangible assets	436	455
Investment in associate	368	368
Deferred tax assets	1,876	1,876
	<b>982,804</b>	<b>963,646</b>
<b>Current Assets</b>		
Inventories	7,033	7,481
Trade and other receivables	83,299	94,564
Prepayments	428	492
Current tax asset	792	792
Cash and cash equivalents	19,770	33,551
	<b>111,322</b>	<b>136,880</b>
	<b>1,094,126</b>	<b>1,100,526</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	62,459	62,459
Currency translation reserves	(5,100)	3,119
Accumulated losses	(564,789)	(494,664)
	142,868	221,212
<b>Non-controlling interests</b>	(54,493)	(46,243)
<b>Total Equity</b>	<b>88,375</b>	<b>174,969</b>
<b>Non Current Liabilities</b>		
Deferred tax liabilities	-	-
Borrowings	55,509	55,617
	<b>55,509</b>	<b>55,617</b>
<b>Current Liabilities</b>		
Trade and other payables	654,889	550,532
Borrowings	295,353	319,408
	<b>950,242</b>	<b>869,940</b>
<b>Total Liabilities</b>	<b>1,005,751</b>	<b>925,557</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,094,126</b>	<b>1,100,526</b>
<b>Net assets per share (sen)</b>	<b>13</b>	<b>20</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	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)
<b>Balance at 1 January 2017</b>	<b>280,269</b>	<b>275,000</b>	<b>95,029</b>	<b>62,459</b>	<b>3,119</b>	<b>(494,664)</b>	<b>221,212</b>	<b>(46,243)</b>	<b>174,969</b>
Other comprehensive loss for the period	-	-	-	-	(8,219)	-	(8,219)	-	(8,219)
Loss for the period	-	-	-	-	-	(70,125)	(70,125)	(8,250)	(78,375)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,219)</b>	<b>(70,125)</b>	<b>(78,344)</b>	<b>(8,250)</b>	<b>(86,594)</b>
<b>Balance at 30 September 2017</b>	<b>280,269</b>	<b>275,000</b>	<b>95,029</b>	<b>62,459</b>	<b>(5,100)</b>	<b>(564,789)</b>	<b>142,868</b>	<b>(54,493)</b>	<b>88,375</b>

	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)
<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 income for the period	-	-	-	-	(1,875)	-	(1,875)	-	(1,875)
Loss for the period	-	-	-	-	-	(171,931)	(171,931)	19,374	(152,557)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,875)</b>	<b>(171,931)</b>	<b>(173,806)</b>	<b>19,374</b>	<b>(154,432)</b>
Changes in interest by non controlling interest	-	-	-	-	-	(28,411)	(28,411)	(43,320)	(71,731)
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,411)</b>	<b>(28,411)</b>	<b>(43,320)</b>	<b>(71,731)</b>
<b>Balance at 30 September 2016</b>	<b>280,269</b>	<b>275,000</b>	<b>95,029</b>	<b>28,317</b>	<b>18,494</b>	<b>(291,002)</b>	<b>406,107</b>	<b>(39,682)</b>	<b>366,425</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 2016)

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	CUMMULATIVE QUARTER CORRESPONDING	
	CURRENT YEAR TO DATE 30-Sep-17 (RM'000)	PRECEDING YEAR 30-Sep-16 (RM'000)
Loss before taxation	(78,376)	(152,557)
Adjustments for:		
Amortisation of intangible assets	19	19
Depreciation of property, plant and equipment	23,640	13,571
Finance costs	18,065	9,113
Finance income	(138)	(404)
Loss on disposal of associate	-	56,300
Share of loss of associate	-	13,136
Unrealised foreign exchange loss	27,550	8,640
<b>Operating profit before changes in working capital</b>	<b>(9,240)</b>	<b>(52,182)</b>
Changes in working capital:		
Inventories	448	(803)
Trade and other receivables	11,330	49,755
Trade and other payables	76,807	139,251
Net cash generated from operations	79,345	136,021
Interests received	138	404
Interests paid	(18,065)	(9,113)
Tax paid	-	(346)
<b>Net cash from operating activities</b>	<b>61,418</b>	<b>126,966</b>
<b>Cash flows used in investing activities</b>		
Acquisition of property, plant and equipment	(42,817)	(154,271)
Decrease in pledged deposits placed with licensed banks, net	13,156	13,098
<b>Net cash from investing activities</b>	<b>(29,661)</b>	<b>(141,173)</b>
<b>Cash flows from financing activities</b>		
Repayment from loans and borrowings, net	(24,163)	(5,277)
<b>Net cash from financing activities</b>	<b>(24,163)</b>	<b>(5,277)</b>
Net change in cash and cash equivalents	<b>7,594</b>	<b>(19,484)</b>
Effect of exchange rate translation	(8,219)	(8,349)
Cash and cash equivalents at beginning of period	4,876	31,523
Cash and cash equivalents at end of financial period	<b>4,251</b>	<b>3,690</b>
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	4,579	2,963
Deposits placed with licensed banks	15,191	34,225
	19,770	37,188
Less: Deposits pledged	(15,519)	(33,498)
	<b>4,251</b>	<b>3,690</b>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016)

**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 2017**

**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 2016. The explanatory notes attached to these condensed consolidated interim financial statements provide year ended 2016 audited accounts 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 2016.

As of 31 December 2016, the current liabilities of the Group have exceeded the current assets by RM733,059,086 as a result of losses incurred during the current and prior financial years. The current liabilities of the Group as at 31 December 2016 arose mainly from borrowings totalling RM319,407,569, which comprise mainly Sukuk of RM189,178,641, bridging loan of RM60,507,296, short term loans of RM9,500,762 and revolving credit facilities of RM60,036,275 as mentioned in Note 17 year ended 2016 audited accounts. However, the financial statements of the Group have been prepared on a going-concern basis.

The Company and certain of its subsidiaries have applied and were granted a Restraining Order (“Order”) by the High Court of Malaya on 23 February 2017 for a period of three (3) months from 23 February 2017 to 22 May 2017 pursuant to Section 366 and 368 of the Companies Act, 2016. On 19 May 2017, the Company and the said subsidiaries were granted an extension of the Order by the High Court for a further period of three (3) months until 22 August 2017. Subsequently, on 22 August 2017, the Company and the said subsidiaries have been granted a second extension of the Order for a further period of three (3) months until 22 November 2017.

The Company and certain of its subsidiaries have applied for and were granted orders for the convening of Creditors Meetings in the Klang Valley (“Court Convened Meetings”) by the High Court of Malaya on 15 November 2017 within 60 days. Furthermore, pending the Court Convened Meetings being held for the respective Scheme Creditors, the Restraining Orders all dated 22 August 2017 have been extended for a further period of three (3) months from 23 November 2017 until 22 February 2018 (Extended Restraining Orders).

The Extended Restraining Orders were granted pending the convening of the said Court Convened Meetings between the Company and certain of its subsidiaries and their respective Scheme Creditors as well as to regularise THHE’s financial condition in accordance with Paragraph 8.04(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

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**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 2016.

**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 and effective for the financial periods beginning on or after 1 January 2017:

Annual Improvements to MFRSs 2014–2016 Cycle  
Amendments to MFRS 107: Disclosure Initiative  
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses  
Amendments to MFRS 12: Disclosure of Interests in Other Entities

The adoption of the above pronouncements has no material financial impact to the Group.

**3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

Due to the significance of the matters described in Note 1 Basis of Preparation, the Auditors have expressed a disclaimer of opinion in the Company's latest audited financial statements for the financial year ended 31 December 2016.

**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.

**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:

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**8. DIVIDENDS PAID**

There were no dividends paid during the current financial period.

**9. SEGMENTAL REPORTING**

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

	<b>Financial Period Ended</b>	
	<b>30 September 2017</b>	
<b>Business Segment</b>	<b>Revenue</b>	<b>Loss Before</b>
	<b>(RM'000)</b>	<b>Taxation</b>
		<b>(RM'000)</b>
Construction Services	4,865	(30,939)
Offshore Crane Works	180	(2,525)
Offshore Services	-	(212)
Others	4,868	(44,921)
<b>Sub Total</b>	<b>9,913</b>	<b>(78,597)</b>
Consolidation Adjustment	(4,868)	221
<b>Total</b>	<b>5,045</b>	<b>(78,376)</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 other subsequent events during the quarter under review.

**12. SIGNIFICANT EVENTS**

- (a) THHE Destini Sdn. Bhd. (formerly known as Gigih Integrasi Sdn. Bhd.) (“TDSB”), a joint venture company between THHE Fabricators Sdn. Bhd. and Destini Shipbuilding and Engineering Sdn. Bhd. had on 19 January 2017 accepted a Letter of Award from the Government of Malaysia dated 18 January 2017.

Under the Contract, TDSB is to undertake the Supply, Delivery, Testing and Commissioning of Three (3) units of Offshore Patrol Vessels complete with Fitting and Accessories for Malaysian Maritime Enforcement Agency (“MMEA”) (“the Contract”). The total contract sum is RM738,900,000.00 (inclusive of 6% GST) for a period of forty-two (42) months commencing from the return of the Letter of Award and submission of performance bond and corporate guarantee to the Government whichever is later.

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- (b) The Company and its subsidiary companies namely THHE Fabricators Sdn Bhd, THHE Offshore Services Sdn Bhd and O&G Works Sdn Bhd (collectively referred to as the “Group”) have been granted a Restraining Order (“RO”) by the High Court of Malaya on 23 February 2017 to restrain any and all proceedings and/or actions and/or further proceedings in any suits and/or proceedings and/or actions against Group, and/or in respect of Group and/or its assets and/or assets employed in its business, including without limitation any winding-up, execution, arbitration proceedings, act of repossession or purported repossession, the appointment of receivers and managers, liquidators, provisional liquidators or otherwise whatsoever, by any creditors and/or purported creditors or any other persons whatsoever, except by leave of the Court, for a period of three (3) months from 23 February 2017 to 22 May 2017 pursuant to Section 366, 368 and 369 of the Companies Act, 2016 (“the Act”). On 19 May 2017, the Company and the said subsidiaries were granted an extension of the Order by the High Court for a further period of three (3) months until 22 August 2017. Subsequently, on 22 August 2017, the Company and the said subsidiaries have been granted a second extension of the Order for a further period of three (3) months until 22 November 2017.

The Company and certain of its subsidiaries have applied for and were granted orders for the convening of Creditors Meetings in the Klang Valley (“Court Convened Meetings”) by the High Court of Malaya on 15 November 2017 within 60 days. Furthermore, pending the Court Convened Meeting being held for the respective Scheme Creditors, the Restraining Orders all dated 22 August 2017 have been extended for a further period of three (3) months from 23 November 2017 until 22 February 2018 (Extended Restraining Orders).

The Extended Restraining Orders were granted pending the convening of the said Court Convened Meetings between the Company and certain of its subsidiaries and their respective Scheme Creditors as well as to regularise THHE’s financial condition in accordance with Paragraph 8.04(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Company and certain of its subsidiaries have applied for and were granted orders for the convening of Creditors Meetings in the Klang Valley (“Court Convened Meetings”) by the High Court of Malaya on 15 November 2017 within 60 days. Furthermore, pending the Court Convened Meetings being held for the respective Scheme Creditors, the Restraining Orders all dated 22 August 2017 have been extended for a further period of three (3) months from 23 November 2017 until 22 February 2018 (Extended Restraining Orders).

- (c) On 28 April 2017, THHE is an affected listed issuer under Practice Note 17 (“**PN17**”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**MMLR**”) (“**Bursa Securities**”). THHE has triggered the prescribed criteria pursuant to Paragraph 8.04 of the MMLR and Paragraph 2.1(d) of Practice Note 17 (“**PN17**”) where the auditors have expressed a disclaimer of opinion in the Company’s latest audited financial statements for the financial year ended 31 December 2016.

### **13. CHANGES IN THE COMPOSITION OF THE GROUP**

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



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**14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

	<b>Group</b> <b>(RM'000)</b>
Potential liquidated damages claim by customer	83,439

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

**15. CAPITAL COMMITMENTS**

	<b>Group</b> <b>(RM'000)</b>
- Approved and contracted for	322,456
- Approved but not contracted for	75,835
	<u>398,291</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**

<b>Business Segment</b>	<b>Revenue</b>		<b>Loss Before Tax</b>	
	<b>3rd Quarter ended</b>	<b>3rd Quarter ended</b>	<b>3rd Quarter ended</b>	<b>3rd Quarter ended</b>
	<b>30/9/2017</b>	<b>30/9/2016</b>	<b>30/9/2017</b>	<b>30/9/2016</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Construction Services	272	(8,899)	(13,472)	(52,244)
Offshore Crane Works	144	22	(804)	(934)
Offshore Services	-	-	199	(127)
Others	508	3,099	(21,843)	(18,584)
<b>Sub Total</b>	<b>924</b>	<b>(5,778)</b>	<b>(35,920)</b>	<b>(71,889)</b>
Consolidation adjustment	(508)	(3,339)	1	(30,352)
<b>Total</b>	<b>416</b>	<b>(9,117)</b>	<b>(35,919)</b>	<b>(102,241)</b>

The Group recorded a revenue of RM 0.4 million for the third quarter 2017 as compared to negative revenue RM9.1 million in the previous third quarter of 2016. The revenue is derived from manpower supply and minor fabrication for metering skid.

The Group recorded a loss before tax of RM35.9 million in the current quarter as compared to loss before tax of RM102.2 million in the corresponding quarter of 2016. This was due to the exclusion of one off loss on disposal of an associate of RM56.3 million and reduction of project scope of an ongoing project in the preceding third quarter of 2016.

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**17. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER**

	Revenue		Loss Before Tax	
	3rd Quarter ended 30/9/2017 (RM'000)	2nd Quarter ended 30/6/2017 (RM'000)	3rd Quarter ended 30/9/2017 (RM'000)	2nd Quarter ended 30/6/2017 (RM'000)
<b>Business Segment</b>				
Construction Services	272	2,347	(13,472)	(11,258)
Offshore Crane Works	144	36	(804)	(1,131)
Offshore services	-	-	199	(247)
Others	508	2,142	(21,843)	(5,540)
<b>Total</b>	<b>924</b>	<b>4,525</b>	<b>(35,920)</b>	<b>(18,176)</b>
Consolidation adjustment	(508)	(2,142)	1	323
<b>Total</b>	<b>416</b>	<b>2,383</b>	<b>(35,919)</b>	<b>(17,853)</b>

For the current quarter under review, the Group recorded revenue of RM0.4 million as compared to revenue of RM2.4 million in the immediate preceding quarter. The Group's loss before tax increased to RM35.9 million in the third quarter 2017 as compared to a loss before tax of RM17.8 million for the immediate preceding quarter mainly due to higher unrealised forex loss in the current quarter.

**18. COMMENTARY ON PROSPECTS**

The Group is cautiously optimistic of its business prospects in the non oil & gas sector subject to the successful implementation of the proposed Scheme of Arrangement as disclosed in Note 23.

As at 30 June 2017, the Group, via THHE Destini Sdn Bhd, a joint venture company between THHE Fabricators Sdn Bhd and Destini Shipbuilding and Engineering Sdn Bhd, has an order book for supply, delivery, testing and commissioning of 3 OPV for MMEA of RM738.9 million.

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

The Group has expanded into ship building activities and also 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.

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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 30/9/2017 (RM'000)	3rd Quarter ended 30/9/2016 (RM'000)	Cummulative period ended 30/9/2017 (RM'000)	Cummulative period ended 30/9/2016 (RM'000)
<b><u>Tax Expense</u></b>				
Current year	-	-	-	-
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>-</b>	<b>-</b>	<b>-</b>

**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 June 2017.

**23. STATUS OF CORPORATE PROPOSALS**

- (a) The Company and its subsidiary companies namely THHE Fabricators Sdn Bhd, THHE Offshore Services Sdn Bhd and O&G Works Sdn Bhd (collectively referred to as the "Group") have been granted a Restraining Order ("RO") by the High Court of Malaya on 23 February 2017 to restrain any and all proceedings and/or actions and/or further proceedings in any suits and/or proceedings and/or actions against Group, and/or in respect of Group and/or its assets and/or assets employed in its business, including without limitation any winding-up, execution, arbitration proceedings, act of repossession or purported repossession, the appointment of receivers and managers, liquidators, provisional liquidators or otherwise whatsoever, by any creditors and/or purported creditors or any other persons whatsoever, except by leave of the Court, for a period of three (3) months from 23 February 2017 to 23 May 2017 pursuant to Sections 366, 368 and 369 of the Companies Act, 2016 ("the Act"). On 19 May 2017, the Company and the said subsidiaries were granted an extension of the Order by the High Court for a further period of three (3) months until 22 August 2017. Subsequently, on 22 August 2017, the Company and the said subsidiaries have been granted a second extension of the Order for a further period of three (3) months until 22 November 2017.

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The Company and certain of its subsidiaries have applied for and were granted orders for the convening of Creditors Meetings in the Klang Valley (“Court Convened Meetings”) by the High Court of Malaya on 15 November 2017 within 60 days. Furthermore, pending the Court Convened Meeting being held for the respective Scheme Creditors, the Restraining Orders all dated 22 August 2017 have been extended for a further period of three (3) months from 23 November 2017 until 22 February 2018 (Extended Restraining Orders).

The Extended Restraining Orders were granted pending the convening of the said Court Convened Meetings between the Company and certain of its subsidiaries and its Scheme Creditors as well as to regularise THHE’s financial condition in accordance with Paragraph 8.04(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

- (b) On 28 April 2017, THHE is an affected listed issuer under Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) (“Bursa Securities”). THHE has triggered the prescribed criteria pursuant to Paragraph 8.04 of the MMLR and Paragraph 2.1(d) of Practice Note 17 (“PN17”) where the auditors have expressed a disclaimer of opinion in the Company’s latest audited financial statements for the financial year ended 31 December 2016. The Group is taking the necessary steps to formulate a regularisation plan to address the Company’s PN17 status and will make the necessary announcements on the regularisation plan in due course.

**24. BORROWINGS AND DEBT SECURITIES**

	<b>Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>(RM’000)</b>	<b>(RM’000)</b>
<b><u>Long Term Borrowings</u></b>		
- Finance lease liabilities	257	494
- Sukuk	49,867	49,806
- Secured term loan	5,385	5,317
	<b>55,509</b>	<b>55,617</b>
<b><u>Short Term Borrowings</u></b>		
- Sukuk	189,963	189,179
- Secured term loan	9,501	9,501
- Bridger loan - secured	40,581	60,507
- Revolving credit facilities - unsecured	55,036	60,036
- Finance lease liabilities	272	185
	<b>295,353</b>	<b>319,408</b>
<b>Total borrowings</b>	<b>350,862</b>	<b>375,025</b>

**25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instruments as at 30 September 2017.

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**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:

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

Dynac Sdn Bhd ("DYNAC") brought an action against THHE Fabricators Sdn Bhd ("THF") seeking judgment in relation to supplies and services rendered for 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 letters of award 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 April 2016 for both the BERTAM and PERMAS projects. On 26 October 2016, DYNAC had proposed a candidate as the arbitrator but THF objected to DYNAC's proposed arbitrator and will propose another candidate for DYNAC's consideration.

Due to disagreement on the proposed arbitrator, on 8 February 2017, DYNAC had filed 2 separate Originating Summons in respect of PERMAS project and BERTAM project respectively. However, due to the Restraining Order, presently extended until 22 August 2017, the proceedings in respect of both the Originating Summons cannot proceed and High Court has fixed case management on 24 August 2017 to update the court as to whether there is extension to the Restraining Order. On 22 August 2017, the Restraining Order was further extended from 23 August 2017 to 22 November 2017. During the case management on 24 August 2017, the Court fixed a further case management date on 23 November 2017 for parties to update the Court on the status of the Restraining Order.

Further to the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 23 February 2018.

The Group's solicitor could not conclude an opinion for this case as the arbitration proceedings is at a preliminary stage.

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

Alaf Pentawaris Sdn Bhd ("ALAF") brought an action against THHE Fabricators Sdn Bhd ("THF") seeking 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 RM17,967,946 or alternatively damages and/or compensation, including interests and costs.

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

On 23 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 as contained in the Letter of 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.

The hearing has been fixed on 30 August 2017. As the Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017, the hearing on 30 August 2017 had been converted to a case management and a further case management date is fixed on 29 November 2017 for parties to update the Court on the Restraining Order.

Further to the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 27 February 2018.

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

(c) **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") brought an action against THHE Offshore Services Sdn Bhd ("THHEOS") in the Miri High Court seeking judgment for the sum of RM5,324,142. The trial has been fixed from 27 April 2017 to 28 April 2017. In view of the Restraining Order and its extension the Court has set down 22 January 2018 for e-review.

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

(d) **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") brought an action against TH Heavy Engineering Berhad ("THHE") in the Kuala Lumpur High Court for supply and design of a 'Booster Compression Package' with regard to the FPSO Layang Project for a sum of USD1,622,500.

The Court had on 23 August 2016, granted the Plaintiff's application and summary judgement was entered against THHE for this claim with RM20,000 cost. On 15 February 2017, the Court dismissed THHE's application to stay the execution of judgement with cost of RM5,000. THHE has filed an appeal against the dismissal of the stay application on 16 February 2017. The case management for the appeal is fixed on 24 August 2017. As the Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017, the Court fixed a further case management for the appeal on 29 November 2017.

In view of the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 20 December 2017.

The Group's solicitor is of the view that THHE has a fair chance of succeeding in the appeal against the dismissal of the stay application. THHE's management is also considering other alternative settlement/resolution plans.

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

(e) **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”) brought an action against THHE Fabricators Sdn Bhd (“THF”) seeking judgment for the sum of RM5,406,312 in relation to supplies and services rendered for Murphy’s Sarawak SK 311 Permas Development Project (“PERMAS Project”), Bertam Field Development Project (“BERTAM Project”) and Laila Field Development Project (“LAILA Project”).

KASB had on 17 May 2015 obtained summary judgment against THF for the sum of RM5,406,312 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 and further subject to 4% for allocator fees.

THF has filed an Appeal against the summary judgment and an application for extension of time. THF has also filed a Notice of Application for stay of execution pending Appeal on 20 January 2017 as well as a Setting Aside Application.

In the meantime, KASB had on 16 August 2016, served on THF, Affin Islamic Bank Berhad (“Affin”), Asian Finance Bank Berhad (“AFB”) and Maybank Islamic Berhad (“Maybank”) respectively, a Notice of Application for a Garnishee Order. KASB succeeded in obtaining a garnishee order against Affin Islamic Bank and Maybank Islamic Berhad but failed to obtain a garnishee order absolute against Asian Finance Bank. KASB had also applied for a garnishee order against Murphy and THF.

In light of the Restraining Order obtained by THF on 23 February 2017, all proceedings have been stayed.

The Restraining Order had been extended to 22 August 2017 pursuant to a Court order on 19 May 2017. In light of the same, the next case management for KASB’s garnishee order application against Murphy has been set for 12 September 2017 for parties to update the Court on the Status of the Restraining Order. As the Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017, the Court fixed a further case management on 23 November 2017.

In view of the three months extension of the Restraining Order dated 15 November 2017, the next case management for garnishee order has been set on 1 March 2018. As for Notice of Application for stay of execution pending Appeal and Setting Aside Application, the next case management is fixed on 26 February 2018.

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

(f) **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”) 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 for Murphy’s Sarawak SK 311 Permas Development Project (“PERMAS Project”) and Bertam Field Development Project (“BERTAM Project”). The Court dismissed NEXTP’s summary judgment application and fixed the full trial date on 6 July 2017 and 7 July 2017. Pre-trial case management has been fixed on 31 May 2017 to update court on the status of the Restraining Order.



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

In light of the Extended Restraining Order obtained by THF on 19 May 2017, all trial dates have been vacated. Pre-trial case management has been fixed on 28 September 2017 to update court on the status of the Restraining Order. In light of extension of Restraining Order, the next pre-trial case management is fixed on 29 November 2017.

Further to the three months extension of the Restraining Order, the next case management is fixed on 28 February 2018.

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

**(g) 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") 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 RM2,545,251.

On 16 December 2016, the court allowed summary judgment to be entered against THF for the amount of RM2,128,741. The balance was set for full trial fixed on 5 April 2017 and 6 April 2017. In view of the Extended Restraining Order obtained by THF on 19 May 2017, the trial date has been vacated and the High Court further fixed case management date on 25 August 2017 pending expiration of the Extended Restraining Order. In light of the extension of the Restraining Order the full trial date has now been fixed on 22 November 2017 to 24 November 2017.

THF subsequently filed its Notice of Appeal for the amount of summary judgment entered against THF. In the Court of Appeal, the Respondent/Plaintiff's solicitor intends to challenge the applicability of the Restraining Order on the appeal matter, hence, the Court of Appeal fixed next case management date on 25 August 2017 for Respondent/Plaintiff to file proper application to strike out THF notice of appeal. The appeal was withdrawn with cost of RM3,000.00 and Swift withdrew their motion to strike out the appeal.

In the meantime at the High Court, although the Group's solicitor had informed the court on the status of the Court Convened Meeting and Order dated 15 November 2017, the Court insisted on proceeding with the trial on 24 November 2017 despite the third extension of the Restraining Order.

Therefore, in order to avoid unnecessary cost due to trial, the Group's solicitors have filed an Application for Stay of Proceeding which is currently pending hearing date from the court registry.

Since the Group's solicitors had filed the application before 24 November 2017, the Court adjourned the trial pending disposal of Notice Application for Stay.

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)**

(h) **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”) 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 RM5,302,962.

At the trial on 28 March 2017, in light of the Restraining Order obtained by THF on 23 February 2017, the Court postponed its ruling on the matter to 26 May 2017. In light of extension of the Restraining Order the next case management is fixed on 12 December 2017.

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

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

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

It was contended by Orwell that THHE owes Orwell the sums claimed for the supply of equipment and machinery for the FPSO Layang Project amounting to USD7,607,440.

THHE has filed an application to strike out the Petition or alternatively stay the Petition pending reference to arbitration. THHE’s stay application was dismissed with no order as to costs. THHE had filed an appeal against the Court’s decision on the dismissal of the stay application.

In light of the Restraining Order obtained by THHE on 23 February 2017, the case management for the winding up proceedings was fixed on 25 May 2017 whilst the case management for the appeal was fixed on 31 May 2017 for the parties to update the Court on the status of the Restraining Order. As the Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017, the Court fixed the next case management for the appeal on 29 November 2017 and the case management for the winding up proceedings on 27 November 2017.

Further to the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 28 February 2018.

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

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

A winding-up petition against TH Heavy Engineering Berhad (“THHE”) was presented on 1 July 2016 to the Kuala Lumpur High Court by MIB ITALIANA S.P.A (“MIB”) and a copy was served at THHE’s registered address on 4 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 amounting to USD1,266,497.

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

THHE has filed an application to strike out the Petition or alternatively stay the Petition pending reference to arbitration. THHE has also applied for an interim injunction to restrain MIB from advertising the Petition and had given notice to MIB's solicitor not to advertise.

Despite the notice, MIB had on 26 July 2016 advertised the Petition in The Malay Mail. As a consequence, THHE applied for leave for an order for committal against MIB and its officer. On 8 August 2016, and the Court 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.

At the hearing for the contempt application on 24 March 2017, the Court was informed of the Restraining Order obtained by THHE on 23 February 2017 and that MIB has agreed to suspend proceedings. The Court has fixed 23 August 2017 as the next case management date for the parties to update the Court on the status of the extension of the Restraining Order.

As the Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017, the Court fixed the next case management on 23 November 2017.

Further to the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 26 February 2018. The Group's solicitor is of the view that THHE has a fair chance of defending this claim.

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

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

At the hearing on 13 March 2017, in light of the Restraining Order obtained by THF on 23 February 2017, the Court ordered the next case management to be held on 23 May 2017. On 23 May 2017, in light of the extension of the Restraining Order, the Court ordered the next case management to be held on 29 August 2017 to update on the status of the Restraining Order. During the case management on 29 August 2017, the Court fixed the next case management on 28 November 2017 as the Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017.

Further to the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 2 March 2018.

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

(l) **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)**

A winding-up petition against THHE Offshore Services Sdn Bhd ("THHEOS") was presented on 10 October 2016 to the Bintulu High Court by NKA Energy Ventures Sdn Bhd ("NKA") and a copy was served at THEOS's registered address on 14 October 2016.

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

NKA had earlier obtained judgment against THHEOS at the Bintulu High Court for a sum of RM 2,523,758. THHEOS has filed an appeal against the judgement, a Setting Aside application and a stay application. A stay of the winding-up petition pending appeal was granted on 6 February 2017. The case management for the appeal has been set for 3 April 2017.

On 9 March 2017, the Bintulu High Court ordered the setting aside of the judgement against THHEOS. In light of this decision, on 23 March 2017, the High Court at Kuala Lumpur ordered the winding-up petition against THHEOS be struck out with liberty to file afresh.

(m) **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).**

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

THHEOS’s stay application was dismissed by the Court and THHEOS has filed an appeal against the dismissal. THHEOS had also filed an appeal and a Notice of Motion to appeal out of time against the summary judgement which forms the subject matter of the winding-up petition.

At the hearing of the winding-up petition on 28 February 2017, in light of the Restraining Order obtained by THHEOS on 23 February 2017, the Judge directed that the hearing of the winding-up petition be adjourned until after the expiry of the Restraining Order on 23 May 2017.

However, in light of the extension of the Restraining Order until 22 August 2017, the Judge directed the hearing of the winding-up Petition be fixed on 8 September 2017. On 8 September 2017, in light of further extension of the Restraining Order until 22 November 2017, the hearing was adjourned and a case management is now fixed on 27 November 2017.

Further to the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 5 March 2018.

(n) **Global Mariner Offshore Services Sdn Bhd V TH Heavy Engineering Berhad (Originating Summon: WA-24NCC-404-09/2016 was filed at Kuala Lumpur High Court).**

Globalmariner Offshore Services Sdn Bhd (“GMOS”) filed an Originating Summon in the Kuala Lumpur High Court against TH Heavy Engineering Berhad (“THHE”), and a Notice of Application for Fortuna Injunction to prevent THHE from presenting a winding-up petition against GMOS. This is in response to a notice under Section 218 of the Companies Act 1965 served by THHE on GMOS on 8 September 2016 for the sum of RM17,974,095.00 being the equity contribution due pursuant to Clause 3.2(e) of the Shareholders Agreement

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

During case management on 9 March 2017, in light of the Restraining Order obtained by THHE on 23 February 2017, the Court fixed the matter for further case management on 20 April 2017 for the parties to update the Court on any settlement between the parties.

In the meantime, the extension of the ad interim injunction is accordingly granted until 14 April 2017.

During case management on 24 April 2017, parties apprised the Court that they were still in the midst of discussing the settlement. The Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017. In light of the Restraining Order, the Court fixed the next case management in 24 November 2017.

Pursuant to the three months extension of the Restraining Order dated 15 November 2017, the Court then fixed for further case management on 26 February 2018,

(o) **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).**

Globalmariner Offshore Services Sdn Bhd (“GMOS”) brought an action in the Kuala Lumpur High Court against TH Heavy Engineering Berhad. (“THHE”) for the amount of USD3,196,952 together with interest for purported debt related to the technical expertise services in the conversion of FPSO Layang.

On 11 November 2016, THHE filed its defence and counterclaim and served the same on 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) Globalmariner Offshore Services (L) Ltd,
- vi) Dynac Sdn Bhd,
- vii) Rotating Offshore Solutions Pte Ltd.

During case management on 9 March 2017, in light of the Restraining Order obtained by THHE on 23 February 2017, the Court fixed the next case management on 6 April 2017. Following case management on 26 April 2017, parties wrote to court to agree to Badli’s stay application.

The Restraining Order had been extended to 22 November 2017 pursuant to the Court Order on 22 August 2017. During the case management on 23 August 2017, the Court ordered that the Ad Interim Injunction be in place and the next Case Management had been fixed on 23 November 2017.

Further to the three months extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 15 January 2018

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.

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

(p) **Belhana Piling & Construction Sdn Bhd vs THHE Fabricators Sdn Bhd**

Belhana Piling & Construction Sdn Bhd (“Belhana”) brought an action in the Kuala Lumpur High Court against THHE Fabricators Sdn Bhd (“THF”). The claim dated 24 March 2017 was served on THF on 1 April 2017. The amount claimed is in relation to the “Construction of New Bulkhead, Wharf, Shoreline Protection, Skid Track and Relieve Platform Project” amounting RM 2,756,840.

The court has fixed a full trial date against the 1st Defendant on 21 & 22 May 2018. Meanwhile, due to the Restraining Order obtained by THF, the Plaintiff’s solicitor had filed in an Application for Stay of Proceeding against THF (2nd Defendant). Hearing date for Stay Application has been fixed on 8 December 2017.

(q) **Persada Electrical and Engineering Works Sdn Bhd vs TH Heavy Engineering Berhad**

Persada Electrical and Engineering Works Sdn Bhd (“Persada”) brought an action in the Kuala Lumpur High Court against TH Heavy Engineering Berhad (“THHE”). The claim dated 6 January 2017 was served on THHE on 10 January 2017. The amount claimed is in relation to the “Layang FPSO Project” amounting USD 652,324.

Persada obtained judgment in Default on 20 February 2017. However in view of the Restraining Order, the matter has not proceeded any further.

(r) **Daba Holding (M) Sdn Bhd vs TH Heavy Engineering Berhad**

Daba Holding (M) Sdn Bhd (“Daba”) brought an action in the Kuala Lumpur High Court against TH Heavy Engineering Berhad (“THHE”) by issuing a S.218 Notice against THHE. The claim was served on THHE on 19 September 2016. The sum claimed is in relation to the “Layang FPSO Project” amounting to RM 9,172,219.

THHE filed an Originating Summons (“OS”) to restrain Daba from presenting a winding up petition. The Court dismissed the OS and THHE had lodged an appeal against the decision. The case management for the appeal is fixed on 24 August 2017. The Restraining Order had been extended from 23 August 2017 to 22 November 2017 pursuant to the Court Order on 22 August 2017 and the Court of Appeal fixed the next case management on 29 November 2017.

Further to the extension of the Restraining Order dated 15 November 2017, the next case management is fixed on 20 December 2017.

**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')	SECOND QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Financial Period	Preceding Corresponding
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
Loss for the purpose of basic earnings per share (RM'000)	(32,152)	(131,641)	(70,125)	(171,931)
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	1,121,077	1,121,077	1,121,077	1,121,077
<b>Basic LPS (sen)</b>	<b>(2.87)</b>	<b>(11.74)</b>	<b>(6.26)</b>	<b>(15.34)</b>
Adjusted loss for the purpose of diluted earnings per share (RM'000)	(32,152)	(131,641)	(70,125)	(171,931)
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	1,121,077	1,121,077	1,121,077	1,121,077
Conversion of ICPS-i	1,100,000	1,100,000	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>2,221,077</b>	<b>2,221,077</b>	<b>2,221,077</b>
<b>Diluted LPS (sen)</b>	<b>(1.45)</b>	<b>(5.93)</b>	<b>(3.16)</b>	<b>(7.74)</b>

**29. REALISED AND UNREALISED PROFITS**

The breakdown of the retained profits of the Group as at 30 September 2017 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.

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

	<b>As at 30-Sep-17 (RM'000)</b>	<b>As at 31-Dec-16 (RM'000)</b>
Total accumulated losses of the Company and its subsidiaries:-		
- realised	(854,625)	(764,764)
- unrealised	21,600	10,435
Total Group accumulated losses	(833,025)	(754,329)
Add: Consolidation adjustments	268,236	259,665
<b>Total Group accumulated losses as per consolidated accounts</b>	<b>(564,789)</b>	<b>(494,664)</b>

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

	<b>Quarter ended 30/9/2017 (RM'000)</b>	<b>Cummulative Period ended 30/9/2017 (RM'000)</b>
Interest income	27	(138)
Interest expense	5,828	18,065
Amortisation	6	19
Depreciation	6,258	23,640
Unrealised forex loss	15,957	27,550
Realised forex (gain)/loss	63	1,503

**31 AUTHORISED FOR ISSUE**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors.