

TH HEAVY ENGINEERING BERHAD (634775-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**FOR THE PERIOD ENDED 31 DECEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Dec-17 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-16 Unaudited RM'000	CURRENT YEAR TO DATE 31-Dec-17 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-16 Unaudited RM'000
Revenue	352	4,653	5,397	17,775
Cost of sales	(8,300)	2,184	(11,853)	(36,308)
Gross (loss)/profit	(7,948)	6,837	(6,456)	(18,533)
Other income	(67)	949	8,929	6,549
Administration expenses	(11,038)	(10,073)	(52,779)	(47,169)
Other expenses	(60,869)	(281,721)	(62,377)	(346,523)
Operating loss	(79,922)	(284,008)	(112,683)	(405,676)
Unrealised foreign exchange gain/(loss), net	47,715	(2,525)	20,165	(11,165)
Finance cost	(5,724)	(12,926)	(23,789)	(22,039)
Share of loss of equity-accounted associate, net of tax	(41)	-	(41)	(13,136)
Loss before taxation	(37,972)	(299,459)	(116,348)	(452,016)
Taxation	-	12,375	-	12,375
Loss after taxation	(37,972)	(287,084)	(116,348)	(439,641)
Other comprehensive income for the period, net of tax	(47,896)	5,131	(47,896)	3,256
Total comprehensive loss for the period	(85,868)	(281,953)	(164,244)	(436,385)
Loss attributable to:				
Owners of the Company	(29,409)	(193,882)	(99,534)	(365,813)
Non-controlling interests	(8,563)	(93,201)	(16,814)	(73,827)
	(37,972)	(287,084)	(116,348)	(439,640)
Total comprehensive loss attributable to:-				
Owners of the Company	(69,054)	(188,752)	(147,430)	(362,557)
Non-controlling interests	(16,814)	(93,201)	(16,814)	(73,827)
	(85,868)	(281,953)	(164,244)	(436,385)
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic loss per share	(2.62)	(17.29)	(8.88)	(32.63)
ii) Fully diluted loss per share	(1.32)	(8.73)	(4.48)	(16.47)
Gross interest income	45	(344)	183	748
Gross interest expense	5,724	(31,152)	23,789	(22,039)

(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 31 DECEMBER 2017**

	As at 31-Dec-17 Unaudited RM'000	As at 31-Dec-16 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	983,221	960,947
Intangible assets	429	455
Investment in associate	327	368
Deferred tax assets	1,876	1,876
	985,853	963,646
Current Assets		
Inventories	1,717	7,481
Trade and other receivables	44,796	94,565
Prepayments	352	492
Current tax asset	820	792
Cash and cash equivalents	17,320	33,551
	65,005	136,881
	1,050,858	1,100,527
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
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	(44,777)	3,119
Accumulated losses	(594,198)	(494,663)
	73,782	221,213
Non-controlling interests	(63,060)	(46,246)
Total Equity	10,722	174,967
Non Current Liabilities		
Deferred tax liabilities	-	-
Borrowings	35,471	55,617
	35,471	55,617
Current Liabilities		
Trade and other payables	687,028	550,535
Borrowings	317,637	319,408
	1,004,665	869,943
Total Liabilities	1,040,136	925,560
TOTAL EQUITY AND LIABILITIES	1,050,858	1,100,527
Net assets per share (sen)	7	20

(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 31 DECEMBER 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)
Balance at 1 January 2017	280,269	275,000	95,029	62,459	3,119	(494,664)	221,212	(46,246)	174,966
Other comprehensive loss for the period	-	-	-	-	(47,896)	-	(47,896)	-	(47,896)
Loss for the period	-	-	-	-	-	(99,534)	(99,534)	(16,814)	(116,348)
Total comprehensive loss for the period	-	-	-	-	(47,896)	(99,534)	(147,430)	(16,814)	(164,244)
Balance at 31 December 2017	280,269	275,000	95,029	62,459	(44,777)	(594,198)	73,782	(63,060)	10,722

	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	27,581	664,316
Other comprehensive income for the period	-	-	-	-	3,256	-	3,256	-	3,256
Loss for the period	-	-	-	-	-	(365,813)	(365,813)	(73,827)	(439,640)
Total comprehensive loss for the period	-	-	-	-	3,256	(365,813)	(362,557)	(73,827)	(436,384)
Changes in interest by non controlling interest	-	-	-	-	-	(71,730)	(71,730)	-	(71,730)
Realisation of revaluation reserves	-	-	-	(5,128)	-	5,128	-	-	-
Disposal of investment in associates	-	-	-	-	(20,506)	-	(20,506)	-	(20,506)
Deferred tax on revaluation	-	-	-	(10,285)	-	-	(10,285)	-	(10,285)
Revaluation increase	-	-	-	49,555	-	-	49,555	-	49,555
Total transaction with owners of the Company	-	-	-	34,142	(20,506)	(66,602)	(52,966)	-	(52,966)
Balance at 31 December 2016	280,269	275,000	95,029	62,459	3,119	(494,664)	221,212	(46,246)	174,966

(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 31 DECEMBER 2017**

	CUMMULATIVE QUARTER CORRESPONDING	
	CURRENT	PRECEDING
	YEAR TO DATE 31-Dec-17 (RM'000)	YEAR 31-Dec-16 (RM'000)
Loss before taxation	(116,348)	(452,016)
Adjustments for:		
Allowance for inventory obsolescence	-	158
Amortisation of intangible assets	26	26
Depreciation of property, plant and equipment	26,665	17,836
Impairment loss on receivables	9,813	13,237
Impairment loss on amount due from customer	29,401	35,429
Impairment loss on property, plant and equipment	19,322	259,106
Finance costs	23,789	22,039
Finance income	(183)	(748)
Property, plant and equipment written off	50	939
Inventories written off	4,719	2,711
Loss on disposal of associate	-	35,794
Share of loss of associate	41	13,136
Unrealised foreign exchange (gain)/loss	(20,165)	11,165
Operating profit before changes in working capital	(22,870)	(41,188)
Changes in working capital:		
Inventories	1,045	(643)
Trade and other receivables	10,696	37,933
Trade and other payables	88,347	86,142
Net cash generated from operations	77,218	82,244
Interests received	183	748
Interests paid	(23,789)	(22,039)
Tax paid	(28)	(346)
Net cash from operating activities	53,584	60,607
Cash flows used in investing activities		
Acquisition of investment in associate	-	(367)
Decrease in pledged deposits placed with licensed banks, net	13,616	17,920
Net cash from investing activities	13,616	17,553
Cash flows from financing activities		
Repayment of term loans	-	(31,499)
Repayment from loans and borrowings, net	(21,917)	(203)
Net cash from financing activities	(21,917)	(31,702)
Net change in cash and cash equivalents	45,283	46,458
Effect of exchange rate translation	(47,898)	(73,106)
Cash and cash equivalents at beginning of period	4,875	31,523
Cash and cash equivalents at end of financial period	2,260	4,875
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	2,642	4,875
Deposits placed with licensed banks	14,678	28,676
	17,320	33,551
Less: Deposits pledged	(15,060)	(28,676)
	2,260	4,875

(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)
(Incorporated in Malaysia)

The Board of Directors of TH Heavy Engineering Berhad is pleased to announce the financial results of the Group for the period ended 31 December 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 at its subsidiary companies namely THHE Fabricators Sdn Bhd (“THFab”), THHE Offshore Services Sdn Bhd (“THHEOS”) and O&G Works Sdn Bhd (“OGW”) (collectively referred to as the “Scheme Companies”) have applied for and were granted Restraining Orders (“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. Subsequently, the Scheme Companies were granted extensions of the Order by the High Court for further periods until 22 February 2018.

The Scheme Companies 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. On 14 and 15 December 2017, the Scheme Creditors of the Company, THFab and OGW (“the Applicants”) approved their respective Proposed Schemes of Arrangement. However, the Scheme Creditors of THHEOS had rejected THHEOS’s Proposed Scheme of Arrangement.

On 6 February 2018, the High Court of Malaya at Kuala Lumpur approved the Applicants’ respective Schemes of Arrangement pursuant to amongst others, Sections 366, 368 and 369 of the Companies Act, 2016.

On 14 February 2018, the Scheme Companies lodged the sealed Court Orders approving the Scheme of Arrangement with the Registrar pursuant to Section 366(5) of the Companies Act 2016. Globalmariner Offshore Services Sdn Bhd (“GMOS”) had filed stay application on the Schemes of Arrangement. On 22 February 2018, Court of Appeal dismissed the application filed by GMOS to stay the High Court Order dated 6 February 2018 approving the Schemes of Arrangement.

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

On 21 December 2017, the Company obtained a Validation Order from the High Court of Malaya pursuant to Section 368(4) of the Companies Act 2016 permitting it to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited (“JX Nippon Contract”) to Yinson Energy Sdn Bhd.

On 12 February 2018 the Court of Appeal dismissed the appeal application by GMOS against the granting of the Validation Order by the High Court.

On 15 February 2018, the Shareholders of the Company approved the Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn Bhd for a cash consideration of RM374 million. The Novation consideration to be received will be mainly utilized to repay the Scheme Creditors under the Schemes of Arrangement.

On 21 February 2018, GMOS had filed an application for leave to appeal to the Federal Court in relation to the Court of Appeal’s order dated 12 February 2018.

The Schemes of Arrangement and the Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn Bhd are to enable the Company as to regularise the Company’s financial condition in accordance with Paragraph 8.04(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

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.

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

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 except for gain on reclassification of unrealised foreign exchange loss from Profit and Loss account to Other Comprehensive Income.

6. SIGNIFICANT CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported that have had a material effect in the current quarter and financial period.

7. DEBT AND EQUITY SECURITIES

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

8. DIVIDENDS PAID

There were no dividends paid during the current financial period.

9. SEGMENTAL REPORTING

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

	Financial Period Ended	
	31 December 2017	
	Revenue	Loss Before
	(RM'000)	Taxation
		(RM'000)
Business Segment		
Construction Services	5,132	(106,369)
Offshore Crane Works	265	(4,410)
Offshore Services	-	(227)
Others	6,597	(56,589)
Sub Total	11,994	(167,595)
Consolidation Adjustment	(6,597)	51,247
Total	5,397	(116,348)

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.

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

11. SUBSEQUENT EVENTS

There were no other subsequent events during the quarter under review except disclosed below:

- (a) On 15 February 2018, the Shareholders of the Company approved the Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn Bhd for a cash consideration of RM374 million. The Novation consideration to be received will be mainly used to repay the Scheme Creditors under the Schemes of Arrangement.

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.

- (b) The Company and its subsidiary companies namely THHE Fabricators Sdn Bhd (THFab), THHE Offshore Services Sdn Bhd (THHEOS) and O&G Works Sdn Bhd (OGW) (collectively referred to as the “Scheme Companies”) 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”). Subsequently, the Scheme Companies were granted extensions of the Order by the High Court for further periods until 22 February 2018.

The Scheme Companies 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.

On 14 and 15 December 2017, the Scheme Creditors of the Company, THFab and OGW (“the Applicants”) approved their respective Proposed Schemes of Arrangement. However, the Scheme Creditors of THHEOS had rejected THHEOS’s Proposed Scheme of Arrangement.

On 6 February 2018, the High Court of Malaya at Kuala Lumpur approved the Applicants’ respective Schemes of Arrangement pursuant to amongst others, Sections 366, 368 and 369 of the Companies Act, 2016.

On 14 February 2018, the Scheme Companies lodged the sealed Court Orders approving the Scheme of Arrangement with the Registrar pursuant to Section 366(5) of the Companies Act 2016. Globalmariner Offshore Services Sdn Bhd (“GMOS”) had filed stay application on the Schemes of Arrangement. On 22 February 2018, Court of Appeal dismissed the application filed by GMOS to stay the High Court Order dated 6 February 2018 approving the Schemes of Arrangement.

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

- (c) On 21 December 2017, the Company also obtained a Validation Order from the High Court of Malaya pursuant to Section 368(4) of the Companies Act, 2016 permitting it to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited (“JX Nippon Contract”) to Yinson Energy Sdn Bhd. On 12 February 2018 the Court of Appeal dismissed the appeal by Global Mariner Offshore Services Sdn Bhd against the granting of the Validation Order by the High Court. On 21 February 2018, GMOS had filed an application for leave to appeal to the Federal Court in relation to the Court of Appeal’s order dated 12 February 2018.
- (d) 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.

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	83,439

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	322,456
- Approved but not contracted for	75,835
	<u>398,291</u>

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

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

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 Before Tax	
	4th Quarter ended 31/12/2017 (RM'000)	4th Quarter ended 31/12/2016 (RM'000)	4th Quarter ended 31/12/2017 (RM'000)	4th Quarter ended 31/12/2016 (RM'000)
Business Segment				
Construction Services	267	4,415	(75,430)	(26,688)
Offshore Crane Works	85	(1)	(1,885)	(9,482)
Offshore Services	-	-	(15)	739
Others	1,729	2,141	(11,668)	(272,544)
Sub Total	2,081	6,555	(88,998)	(307,975)
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	-	-
Consolidation adjustment	(1,729)	(1,902)	51,026	8,516
Total	352	4,653	(37,972)	(299,459)

The Group recorded revenue of RM 0.3 million for the fourth quarter 2017 as compared to RM4.6 million in the previous fourth quarter of 2016. The revenue is derived from manpower supply and minor fabrication activities.

The Group recorded a loss before tax of RM37.9 million in the current quarter as compared to loss before tax of RM299.5 million in the corresponding quarter of 2016 mainly due to lower impairment loss of property, plant and equipment recognised and gain on reclassification of unrealized foreign exchange loss to other comprehensive income instead of to profit and loss account.

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

17. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Loss Before Tax	
	4th Quarter ended 31/12/2017 (RM'000)	3rd Quarter ended 30/9/2017 (RM'000)	4th Quarter ended 31/12/2017 (RM'000)	3rd Quarter ended 30/9/2017 (RM'000)
Business Segment				
Construction Services	267	272	(75,430)	(13,472)
Offshore Crane Works	85	144	(1,885)	(804)
Offshore services	-	-	(15)	199
Others	1,729	508	(11,668)	(21,843)
Total	2,081	924	(88,998)	(35,920)
Consolidation adjustment	(1,729)	(508)	51,026	1
Total	352	416	(37,972)	(35,919)

For the current quarter under review, the Group recorded revenue of RM0.3 million as compared to revenue of RM0.4 million in the immediate preceding quarter. The Group's loss before tax increase to RM37.9 million in the fourth quarter 2017 as compared to a loss before tax of RM35.9 million for the immediate preceding quarter mainly due to the impairment losses on property, plant and equipment, amount due from contract customer and receivables and offset against gain on reclassification of unrealized foreign exchange loss from profit and loss account to other comprehensive income.

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 31 December 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 a contract value 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.

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

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

	4th Quarter ended 31/12/2017 (RM'000)	4th Quarter ended 31/12/2016 (RM'000)	Cummulative period ended 31/12/2017 (RM'000)	Cummulative period ended 31/12/2016 (RM'000)
<u>Tax Expense</u>				
Current year	-	-	-	-
Under/(Over) provision in prior year	-	-	-	-
<u>Deferred tax expense</u>				
Origination and reversal of temporary differences	-	12,375	-	12,375
Total Tax Expenses	-	12,375	-	12,375

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 31 December 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 "Scheme Companies") 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"). Subsequently, the Company and the said subsidiaries were granted extensions of the Order by the High Court for further periods until 22 February 2018.

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

- (b) The Scheme Companies 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 Scheme Companies 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.

On 14 and 15 December 2017, the Scheme Creditors of the Company, THFab and OGW (“the Applicants”) approved their respective Proposed Schemes of Arrangement. However, the Scheme Creditors of THHEOS had rejected THHEOS’s Proposed Scheme of Arrangement.

On 14 February 2018, the Applicants lodged with the Registrar the sealed Court Orders dated 6 February 2018 pursuant to Section 366(5) of the Companies Act, 2016. The Court Orders are in relation to the applications made by the Applicants at the High Court of Malaya at Kuala Lumpur for an approval of the Applicants’ respective Schemes of Arrangement pursuant to amongst others, Sections 366, 368 and 369 of the Companies Act, 2016.

- (c) On 21 December 2017, the Company also obtained a Validation Order from the High Court of Malaya pursuant to Section 368(4) of the Companies Act 2016 permitting it to novate the Contract for the Provision of EPCIC and Leasing for Layang FPSO Facilities awarded by JX Nippon Oil & Gas Exploration (Malaysia) Limited (“JX Nippon Contract”) to Yinson Energy Sdn Bhd. On 12 February 2018 the Court of Appeal dismissed the appeal by Globalmariner Offshore Services Sdn Bhd against the granting of the Validation Order by the High Court.
- (d) 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.
- (e) On 15 February 2018, the Shareholders of the Company approved the Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn Bhd for a cash consideration of RM374 million. The Novation consideration to be received will be mainly used to repay the Scheme Creditors under the Schemes of Arrangement.

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

24. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31 December 2017 (RM'000)	As at 31 December 2016 (RM'000)
<u>Long Term Borrowings</u>		
- Finance lease liabilities	200	494
- Sukuk	29,886	49,806
- Secured term loan	5,385	5,317
Sub Total	35,471	55,617
<u>Short Term Borrowings</u>		
- Sukuk	209,965	189,179
- Secured term loan	9,576	9,501
- Bridger loan - secured	41,824	60,507
- Revolving credit facilities - unsecured	56,000	60,036
- Finance lease liabilities	272	185
Sub Total	317,637	319,408
Total borrowings	353,108	375,025

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 31 December 2017.

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.

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

26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

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 the proceedings in respect of both the Originating Summons cannot proceed.

As the Scheme of the Arrangement ("Scheme") has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme. DYNAC during the case management on 23 February 2018 has informed that they will withdraw their originating summons on 6 March 2018 before the Registrar.

(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.

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. As the Scheme of the Arrangement ("Scheme") has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme. During the case management on 27 February 2018, the Court directed that the appeal was struck out without order as to costs.

(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 was fixed from 27 April 2017 to 28 April 2017. In view of the Restraining Order and its extensions, the next case management is fixed on 27 February 2018.

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

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

26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

(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 RM20,0000 cost. On 15 February 2017, the Court dismissed THHE’s application to stay the execution of judgement with cost of RM5,0000. THHE has filed an appeal against the dismissal of the stay application on 16 February 2017.

In view of the Restraining Order and the Scheme of Arrangement, the Company had on 22 January 2018, filed a Notice of Discontinuance to withdraw the appeal against Rotating Offshore Solutions Pte Ltd in the Court of Appeal.

(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.

Following the High Court order on 6 February 2018 approving the Scheme of Arrangement and the lodgment of the High Court order with the Registrar on 14 February 2018 pursuant to Section 366(5) of the Companies Act 2016, all proceedings were withdrawn on 26 February 2018.

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

26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (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.

Following the High Court’s Order (“Order”) dated 6 February 2018 approving the Scheme of Arrangement (“SOA”) and lodgment of the Order with Registrar pursuant to Section 366(5) of the Companies Act 2016, all pending actions and proceedings are to be discontinued and withdrawn with parties bearing its own cost.

- (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. The full trial date was 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.

Following the High Court’s Order (“Order”) dated 6 February 2018 approving the Scheme of Arrangement (“SOA”) and lodgment of the Order with Registrar pursuant to Section 366(5) of the Companies Act 2016, all proceedings against THF were withdrawn.

- (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. In light of extension of the Restraining Order the next case management is fixed on 27 February 2018.

As the Scheme of the Arrangement has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the Scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme.

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

26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

(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.

As the Scheme of the Arrangement has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the Scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme.

(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.

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.

Following the High Court Order on 6 February 2018, approving the Scheme of Arrangement and the lodgment of the High Court Order with the Registrar on 14 February 2018 pursuant to Section 366(5) of the Companies Act 2016, both the petition and contempt application were withdrawn and struck out during case management on 26 February 2018.

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

26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

(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.

As the Scheme of the Arrangement has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the Scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme.

(l) **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.

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

(m) **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

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.

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

26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

During case management on 24 April 2017, parties apprised the Court that they were still in the midst of discussing the settlement. Pursuant to the extension of the Restraining Order dated 15 November 2017, the Court then fixed for further case management on 26 February 2018.

Pursuant to the expiration of the Restraining Order, the Court amongst others directed the following during the case management on 26 February 2018.

- a) Defendant to file updated affidavit by 12 March 2018.
- b) Plaintiffs to reply by 27 March 2018.
- c) Hearing is fixed on 20 April 2018.
- d) Ad interim injunction pending disposal of the originating summons extended until the next hearing date.

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.

(n) **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 extension of the Restraining Order dated 15 November 2017, the next case management was fixed on 15 January 2018.

During case management on 6 February 2018, the Court has fixed the Pre Trial Case Management on 1 June 2018 and the Trial dates on 2 to 20 July 2018.

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

26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

(o) **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 suspended the proceedings against THF until the expiration of the Restraining Order. The court has fixed a full trial date on 21 & 22 May 2018.

As the Scheme of the Arrangement has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the Scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme.

(p) **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 pursuant to the Restraining Order, the matter has not proceeded any further.

As the Scheme of the Arrangement has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the Scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme.

(q) **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.

As the Scheme of the Arrangement has been approved by the High Court on 6 February 2018 and is now effective pursuant to Section 366(5) of the Companies Act 2016, it is a term of the scheme that all pending proceedings ought to be withdrawn or terminated as the debt has been compromised under the Scheme.

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

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

28. LOSS PER SHARE

Loss per share ('LPS')	SECOND QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31-Dec-17	Preceding Year Corresponding Quarter 31-Dec-16	Current Financial Period 31-Dec-17	Preceding Corresponding 31-Dec-16
Loss for the purpose of basic earnings per share (RM'000)	(29,409)	(193,882)	(99,534)	(365,813)
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
Basic LPS (sen)	(2.62)	(17.29)	(8.88)	(32.63)
Adjusted loss for the purpose of diluted earnings per share (RM'000)	(29,409)	(193,882)	(99,534)	(365,813)
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)	2,221,077	2,221,077	2,221,077	2,221,077
Diluted LPS (sen)	(1.32)	(8.73)	(4.48)	(16.47)

29. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 December 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.

	As at 31-Dec-17 (RM'000)	As at 31-Dec-16 (RM'000)
Total accumulated losses of the Company and its subsidiaries:-		
- realised	(963,789)	(764,764)
- unrealised	41,765	10,435
Total Group accumulated losses	(922,024)	(754,329)
Add: Consolidation adjustments	327,826	259,666
Total Group accumulated losses as per consolidated accounts	(594,198)	(494,663)

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

30. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31/12/2017 (RM'000)	Cummulative Period ended 31/12/2017 (RM'000)
Interest income	(45)	(183)
Interest expense	5,724	23,789
Impairment of receivables	9,813	9,813
Impairment of amount due from customer	29,401	29,401
Impairment of property, plant and equipment	19,322	19,322
Amortisation	7	26
Depreciation	3,025	26,665
Inventories written down	4,719	4,719
Property, plant and equipment written off	50	50
Realised forex (gain)/loss	(549)	954
	<hr/>	<hr/>
Unrealised forex gain recognised in Profit & Loss Account	(47,715)	(20,165)
Unrealised forex loss recognised in Other Comprehensive Income	31,758	51,388
	<hr/>	<hr/>
	15,957	31,223

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.