

TH HEAVY ENGINEERING BERHAD (634775-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**FOR THE PERIOD ENDED 31 MARCH 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Mar-18 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Mar-17 Unaudited RM'000	CURRENT YEAR TO DATE 31-Mar-18 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Mar-17 Unaudited RM'000
Revenue	186	2,246	186	2,246
Cost of sales	(20)	(50)	(20)	(50)
Gross (loss)/profit	166	2,196	166	2,196
Other income	30	6,615	30	6,615
Administration expenses	(6,593)	(15,348)	(6,593)	(15,348)
Other expenses	(2,697)	(1,662)	(2,697)	(1,662)
Operating loss	(9,094)	(8,199)	(9,094)	(8,199)
Unrealised foreign exchange loss, net	(10,021)	(10,143)	(10,021)	(10,143)
Finance cost	(6,431)	(6,262)	(6,431)	(6,262)
Share of loss of equity-accounted associate, net of tax	(2)	-	(2)	-
Loss before taxation	(25,548)	(24,604)	(25,548)	(24,604)
Taxation	-	-	-	-
Loss after taxation	(25,548)	(24,604)	(25,548)	(24,604)
Other comprehensive income for the period, net of tax	(26,194)	(19,196)	(26,194)	(19,196)
Total comprehensive loss for the period	(51,742)	(43,800)	(51,742)	(43,800)
Loss attributable to:				
Owners of the Company	(14,752)	(21,179)	(14,752)	(21,179)
Non-controlling interests	(10,796)	(3,425)	(10,796)	(3,425)
	(25,548)	(24,604)	(25,548)	(24,604)
Total comprehensive loss attributable to:-				
Owners of the Company	(40,946)	(40,375)	(40,946)	(40,375)
Non-controlling interests	(10,796)	(3,425)	(10,796)	(3,425)
	(51,742)	(43,800)	(51,742)	(43,800)
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic loss per share	(1.32)	(1.89)	(1.32)	(1.89)
ii) Fully diluted loss per share	(0.66)	(0.95)	(0.66)	(0.95)
Gross interest income	12	119	12	119
Gross interest expense	6,431	6,262	6,431	6,262

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

TH HEAVY ENGINEERING BERHAD (634775-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 MARCH 2018**

	As at 31-Mar-18 Unaudited RM'000	As at 31-Dec-17 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	935,847	960,623
Investment in associate	325	327
Deferred tax assets	1,876	1,876
	938,048	962,826
Current Assets		
Inventories	308	314
Trade and other receivables	45,143	44,238
Prepayments	314	352
Current tax asset	42	491
Cash and cash equivalents	16,381	17,314
	62,188	62,709
	1,000,236	1,025,535
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	280,309	280,309
Islamic Irredeemable Convertible Preference Shares ('İCPS-i')	274,960	274,960
Share premium	95,029	95,029
Revaluation reserves	57,141	57,141
Currency translation reserves	(70,295)	(44,102)
Accumulated losses	(607,594)	(592,843)
	29,550	70,494
Non-controlling interests	(73,772)	(62,974)
Total Equity	(44,222)	7,520
Non Current Liabilities		
Borrowings	29,906	30,291
	29,906	30,291
Current Liabilities		
Trade and other payables	691,406	664,991
Borrowings	323,146	322,733
	1,014,552	987,724
Total Liabilities	1,044,458	1,018,015
TOTAL EQUITY AND LIABILITIES	1,000,236	1,025,535
Net assets per share (sen)	3	6

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

TH HEAVY ENGINEERING BERHAD (634775-D)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018**

	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 2018	280,309	274,960	95,029	57,141	(44,101)	(592,842)	70,496	(62,976)	7,520
Other comprehensive loss for the period	-	-	-	-	(26,194)	-	(26,194)	-	(26,194)
Loss for the period	-	-	-	-	-	(14,752)	(14,752)	(10,796)	(25,548)
Total comprehensive loss for the period	-	-	-	-	(26,194)	(14,752)	(40,946)	(10,796)	(51,742)
Balance at 31 March 2018	280,309	274,960	95,029	57,141	(70,295)	(607,594)	29,550	(73,772)	(44,222)

	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 income for the period	-	-	-	-	(19,196)	-	(19,196)	-	(19,196)
Loss for the period	-	-	-	-	-	(21,179)	(21,179)	(3,425)	(24,604)
Total comprehensive loss for the period	-	-	-	-	(19,196)	(21,179)	(40,375)	(3,425)	(43,800)
Balance at 31 March 2017	280,269	275,000	95,029	62,459	(16,077)	(515,843)	180,837	(49,671)	131,166

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

TH HEAVY ENGINEERING BERHAD (634775-D)

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018**

	CUMMULATIVE QUARTER CORRESPONDING	
	CURRENT YEAR TO DATE 31-Mar-18 (RM'000)	PRECEDING YEAR 31-Mar-17 (RM'000)
Loss before taxation	(25,548)	(24,604)
Adjustments for:		
Amortisation of intangible assets	-	6
Depreciation of property, plant and equipment	2,856	9,514
Finance costs	6,431	6,262
Finance income	(12)	(119)
Inventories written off	7	-
Share of loss of associate	2	-
Unrealised foreign exchange (gain)/loss	10,021	10,143
Operating profit before changes in working capital	(6,243)	1,202
Changes in working capital:		
Inventories	(1)	577
Trade and other receivables	(866)	(3,013)
Trade and other payables	38,314	2,607
Net cash generated from operations	31,204	1,373
Interests received	12	119
Interests paid	(6,431)	(6,262)
Tax paid	449	-
Net cash from operating activities	25,234	(4,770)
Cash flows used in investing activities		
Acquisition of property, plant and equipment	-	37,656
Decrease in pledged deposits placed with licensed banks, net	807	12,843
Net cash from investing activities	807	50,499
Cash flows from financing activities		
Repayment from loans and borrowings, net	28	(24,703)
Net cash from financing activities	28	(24,703)
Net change in cash and cash equivalents	26,069	21,026
Effect of exchange rate translation	(26,194)	(19,196)
Cash and cash equivalents at beginning of period	2,447	4,876
Cash and cash equivalents at end of financial period	2,322	6,706
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	2,322	6,735
Deposits placed with licensed banks	14,059	15,803
	16,381	22,538
Less: Deposits pledged	(14,059)	(15,832)
	2,322	6,706

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017)

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 31 March 2018

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 2017. The explanatory notes attached to these condensed consolidated interim financial statements provide year ended 2017 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 2017.

The Directors have concluded that the combination of the circumstances highlighted in the Independent Auditor’s Report in the audited financial statement for the financial year ended 31 December 2017 indicate material uncertainties that may cast significant doubt over the ability of the Group and of the Company to continue as going concern and therefore, may be unable to realise their assets and discharge their liabilities in the normal course of business.

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

The Company is in the midst of formulating a Proposed Regularisation Plan to address the financial condition of the Group and of the Company which mainly comprise the following: (i) Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn. Bhd. (“YESB”), (ii) Scheme of Arrangements, (iii) Proposed capital reconstruction exercise involving the conversion of existing Irredeemable Convertible Preference Shares-i (“ICPS-i”) and a capital reduction and amalgamation exercise for which the quantum has not been finalised and (iv) Proposed disposal of certain non-core assets. On 30 April 2018, the Company had entered into a conditional novation agreement with JX Nippon and YESB for the Proposed JX Nippon Contract Novation (“Proposed Novation”) and consideration agreement with YESB. The Company is now in the final stages of completing the Proposed Novation.

The Group believes that the Proposed Regularisation Plan once formulated and implemented, will enable the Group and the Company to generate sufficient cash flows to meet their obligations. For these reasons, the Directors are of the opinion that the Group and the Company will be able to continue in operational existence for the foreseeable future and to realise their assets and settle their liabilities in the ordinary course of business.

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 2017 except as disclosed below:

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As of 1 January 2018, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRS and amendments effective for annual periods beginning on or after 1 January 2018:

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 140: Investment Property: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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 2017.

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:

Business Segment	Financial Period Ended	
	31 March 2018	
	Revenue	Loss Before
	(RM'000)	Taxation
		(RM'000)
Construction Services	151	(9,487)
Offshore Crane Works	34	(1,403)
Offshore Services	-	(7)
Others	1,730	(55,339)
Sub Total	1,915	(66,236)
Consolidation Adjustment	(1,729)	40,688
Total	186	(25,548)

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 except disclosed below:

- (a) On 9 April 2018, following the presentation of a winding-up petition by Zelicam Sdn. Bhd. on 31 October 2016, the High Court of Malaya at Kuala Lumpur ordered THHE Offshore Services Sdn. Bhd. ("THEOS") to be wound up with no order as to costs and the Official Receiver be appointed as provisional liquidator of THEOS.
- (b) On 30 April 2018, the Company had entered into a conditional novation agreement with JX Nippon and YESB for the Proposed JX Nippon Contract Novation and consideration agreement with YESB.

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12. SIGNIFICANT EVENTS

- (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.

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.

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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 FIRST QUARTER

	Revenue		Loss Before Tax	
	1st Quarter ended 31/3/2018 (RM'000)	1st Quarter ended 31/3/2017 (RM'000)	1st Quarter ended 31/3/2018 (RM'000)	1st Quarter ended 31/3/2017 (RM'000)
Business Segment				
Construction Services	151	2,246	(9,487)	(6,209)
Offshore Crane Works	34	-	(1,403)	(590)
Offshore Services	-	-	(7)	(164)
Others	1,730	2,218	(55,339)	(17,538)
Sub Total	1,915	4,464	(66,236)	(24,501)
Share of (loss)/profit of equity-accounted associates, net of tax	-	-	-	-
Consolidation adjustment	(1,729)	(2,218)	40,688	(63)
Total	186	2,246	(25,548)	(24,604)

The Group recorded revenue of RM0.1 million for the first quarter 2018 as compared to RM2.2 million in the previous first quarter of 2017. The revenue is derived from facility charges for ongoing project. The decrease in revenue is due to the lower fabrication activities during the quarter.

The Group recorded a loss before tax of RM25.5 million in the current quarter as compared to loss before tax of RM24.6 million in the corresponding quarter of 2017 mainly due to lower gross margin from ongoing project as well as higher finance cost.

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17. MATERIAL CHANGE IN QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Loss Before Tax	
	1st Quarter ended 31/3/2018 (RM'000)	4th Quarter ended 31/12/2017 (RM'000)	1st Quarter ended 31/3/2018 (RM'000)	4th Quarter ended 31/12/2017 (RM'000)
Business Segment				
Construction Services	151	267	(9,487)	(78,182)
Offshore Crane Works	34	84	(1,403)	(2,424)
Offshore services	-	-	(7)	(88)
Others	1,730	1,728	(55,339)	(11,386)
Total	1,915	2,079	(66,236)	(92,080)
Consolidation adjustment	(1,729)	(1,728)	40,688	50,578
Total	186	351	(25,548)	(41,502)

For the current quarter under review, the Group recorded revenue of RM0.1 million as compared to revenue of RM0.4 million in the immediate preceding quarter. The Group's loss before tax decrease to RM25.5 million in the first quarter 2018 as compared to a loss before tax of RM41.5 million for the immediate preceding quarter mainly due to the one-off impairment losses on property, plant and equipment, amount due from contract customer and receivables.

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 March 2018, 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.

19. PROFIT FORECAST

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

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20. TAXATION

	1st Quarter ended 31/3/2018 (RM'000)	1st Quarter ended 31/3/2017 (RM'000)	Cummulative period ended 31/3/2018 (RM'000)	Cummulative period ended 31/3/2017 (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	-	-	-	-
Total Tax Expenses	-	-	-	-

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 March 2018.

23. STATUS OF CORPORATE PROPOSALS

(a) Practice Note 17 and Regularisation Plan

On 28 April 2017, the Company announced that it has become an affected listed issuer pursuant to the amended Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). As an affected issuer, the Company is required to submit a Regularisation Plan within 12 months from 28 April 2017 to Bursa Malaysia for approval. The Company is currently formulating and implementing a Proposed Regularisation Plan which will mainly comprise, among others, the following: (i) Proposed Novation of the JX Nippon Contract to Yinson Energy Sdn. Bhd. (“YESB”), (ii) Scheme of Arrangements, (iii) Proposed capital reconstruction exercise involving the conversion of existing Irredeemable Convertible Preference Shares-i (“ICPS-i”) and a capital reduction and amalgamation exercise for which the quantum has not been finalised., and (iv) Proposed disposal on certain-non-core assets.

On 27 April 2018, the Company has submitted an application for extension of time to submit the regularisation plan (“EOT Application”) to Bursa Malaysia. The EOT Application is subject to Bursa Securities’ approval.

On 16 May 2018, Bursa Malaysia has granted the Company an extension of time up to 26 October 2018 to submit a regularisation plan to the regulatory authorities.

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(b) Scheme of Arrangement

The Company and its three subsidiaries namely THHE Fabricators Sdn. Bhd., (“THFSB”), THHE Offshore Services Sdn. Bhd. (“THEOS”) and O&G Works Sdn. Bhd. (“OGW”) (“Scheme Companies”) were served with various legal notices and winding up petitions by their respective creditors in the prior year. These winding up petitions, if successful would cause the winding up of the Scheme Companies. However, the Scheme Companies had each formulated a Scheme of Arrangement (“Scheme”) with their respective Scheme Creditors. The respective Scheme Creditors approved the Company’s Scheme and that of THFSB and OGW (“Approved Scheme Companies”) at Court Convened Creditors Meetings held in December 2017 and the same were subsequently approved by the High Court on 6 February 2018. With the requisite lodgement of the relevant Court Order with the Registrar, the Schemes for the Approved Scheme Companies are now effective by virtue of Section 366(5) of the Companies Act 2016.

Pursuant to the Approved Scheme Companies’ Schemes, all pending litigation proceedings including all winding up petitions against the Approved Scheme Companies are to be withdrawn or terminated as the debts are deemed to have been compromised under the Schemes. Pursuant to these Schemes, the total debt due and owing to the Scheme Creditors will be reduced and the remaining outstanding balance to be settled by way of cash settlement, issuance of new ICPS-i in the Company and term out of the existing facility. Any remaining amount owing to the Scheme Creditors after the aforesaid shall be completely waived.

(c) The Proposed Novation

The Company proposes 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 YESB (“the Proposed Novation”). On 15 February 2018, at an Extraordinary General Meeting, the Shareholders of the Company have approved the Proposed Novation. Proceeds from the Proposed Novation will be utilised mainly to repay the Scheme Creditors in accordance with the terms of the respective Schemes.

On 30 April 2018, the Company had entered into a conditional novation agreement with JX Nippon and YESB for the Proposed JX Nippon Contract Novation and consideration agreement with YESB.

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24. BORROWINGS AND DEBT SECURITIES

	Group	
	As at	As at
	31 March	31 December
	2018	2017
	(RM'000)	(RM'000)
<u>Long Term Borrowings</u>		
- Finance lease liabilities	-	291
- Sukuk	29,906	30,000
Sub Total	29,906	30,291
<u>Short Term Borrowings</u>		
- Sukuk	209,966	209,808
- Secured term loan	14,960	14,921
- Bridger loan - secured	41,824	41,823
- Revolving credit facilities - unsecured	56,000	55,999
- Finance lease liabilities	396	182
Sub Total	323,146	322,733
Total borrowings	353,052	353,024

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 31 March 2018.

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

Dynac Sdn. Bhd. ("DYNAC") brought an action against THFSB 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 15 March 2018, DYNAC withdrew both actions against THFSB with no order as to costs, as the Scheme has been approved.

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (b) **Alaf Pentawaris Sdn. Bhd. vs 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. (“THFSB”) 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 27 February 2018, the Court directed that the appeal be struck out without order as to costs as the Scheme has been approved.

- (c) **Justrite Construction Sdn. Bhd. vs 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. (“THEOS”) in the Miri High Court seeking judgment for the sum of RM5,324,142.

THEOS’s proposed Scheme of Arrangement was not agreed to by THEOS’s creditors. In a separate winding up petition made by another creditor, the Kuala Lumpur High Court had on 9 April 2018, ordered THHEOS to be wound up with no order as to costs and the official Receiver be appointed as provisional liquidator.

- (d) **Rotating Offshore Solutions Pte. Ltd. vs 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 the Company 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 the Company for this claim with RM200,000 cost. On 15 February 2017, the Court dismissed the Company’s application to stay the execution of judgement with cost of RM50,000. The Company has filed an appeal against the dismissal of the stay application on 16 February 2017.

The Company had on 22 January 2018, filed a Notice of Discontinuance to withdraw the appeal against ROS in the Court of Appeal, as the Scheme has been approved.

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

Kumpulan Agresif Sdn. Bhd. (“KASB”) brought an action against THFSB seeking judgment for the sum of RM5,406,312 in relation to supplies and services rendered for PERMAS Project, BERTAM Project and Laila Field Development Project (“LAILA Project”).

KASB had on 17 May 2015 obtained summary judgment against THFSB 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.

As Scheme has been approved, all proceedings were withdrawn on 26 February 2018.

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

- (f) **Next Petroleum Sdn. Bhd. vs 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 THFSB. The amount claimed is for providing supplies to THFSB amounting to RM3,159,400 for PERMAS Project and BERTAM Project. The Court dismissed NEXTP’s summary judgment application.

NEXTP has withdrawn all pending actions and proceeding on 27 March 2018 as the Scheme has been approved.

- (g) **Swift Energy Sdn. Bhd. vs 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 THFSB. The amount claimed is in relation to supply and delivery of goods and services to THFSB amounting to RM2,545,251.

On 16 December 2016, the court allowed summary judgment to be entered against THFSB for the amount of RM2,128,741. The balance was set for full trial fixed on 5 April 2017 and 6 April 2017.

Following the High Court’s Order approving the Scheme, the Court had on 26 January 2018 struck out SWIFT’s claim on the balance amount.

- (h) **NKA Energy Ventures Sdn. Bhd. vs 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 THFSB. The amount claimed is in relation to supply and delivery of goods and services for PERMAS Project amounting to RM5,302,962.

Pursuant to the Scheme, all pending proceedings are to be withdrawn or terminated as the debt has been compromised.

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

A winding-up petition (“Petition”) against the Company 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 the Company’s registered address on 4 July 2016. It was contended by MIB that the Company 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)

Since the Scheme has been approved, all proceedings have been withdrawn and struck out during case management on 26 February 2018.

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

A winding-up petition against THFSB 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 has been approved, AKRA has withdrawn its Petition against THFSB on 2 March 2018.

(k) **Zelican Sdn. Bhd. vs 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 THEOS 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.

As THEOS’s proposed Scheme of Arrangement was rejected by its creditors, at the hearing of ZELICAN’s winding up petition on 9 April 2018, the Court ordered THEOS to be wound up with no order as to costs and the Official Receiver be appointed as provisional liquidator.

(l) **Globalmariner Offshore Services Sdn. Bhd. vs 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 the Company, and a Notice of Application for Fortuna Injunction to prevent the Company 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 the Company on GMOS on 8 September 2016 for the sum of RM17,974,095 being the equity contribution due pursuant to Clause 3.2(e) of the Shareholders Agreement.

Following to the expiration of the Restraining Order, the Court fixed its hearing on 20 April 2018 and Ad interim pending disposal of the originating summons extended until the next hearing date.

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

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

(m) Globalmariner Offshore Services Sdn. Bhd. vs 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 the Company 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, the Company 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.,

As the Scheme has been approved by the Court, GMOS’s claim will be compromised under the Scheme.

On the Counterclaim, the Court has fixed the Pre Trial Case Management on 28 May 2018 and the Trial dates on 2 to 20 July 2018.

The Group’s solicitor is of the view that the Company has a fair chance of defending this action and a fair chance on the counterclaim.

(n) 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 THFSB. The claim dated 24 March 2017 was served on THFSB 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 RM2,756,840.

The court has fix the matter for case management on 26 June 2018.

Pursuant to the Scheme, all pending proceedings are to be withdrawn or terminated as the debt has been compromised.

(o) 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 the Company. The claim dated 6 January 2017 was served on the Company on 10 January 2017. The amount claimed is in relation to the “Layang FPSO Project” amounting USD652,324.

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 has been approved by the Court, all pending proceedings are to be withdrawn or terminated as the debt has been compromised under the Scheme.

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26. CHANGES IN MATERIAL LITIGATION (CONTINUED)

(p) **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 the Company by issuing a Section 218 Notice against the Company, the claim was served on the Company on 19 September 2016. The sum claimed is in relation to the “Layang FPSO Project” amounting to RM9,172,219. The Company had filed an Originating Summons (“OS”) to restrain Daba from presenting a winding up petition. The Court dismissed the OS and the Company had lodged an appeal against the decision.

As the Scheme has been approved, on 4 March 2018 the Company has filed a notice of discontinuance in the Court of Appeal in relation to the appeal against the High Court decision in dismissing the Company’s Originating Summons to restrain Daba Holdings (M) Sdn. Bhd. from presenting a winding up petition against the Company.

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

28. LOSS PER SHARE

Loss per share ('LPS')	FIRST QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Financial Period	Preceding Corresponding
	31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Loss for the purpose of basic earnings per share (RM'000)	(14,752)	(21,179)	(14,752)	(21,179)
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	1,121,237	1,121,077	1,121,237	1,121,077
Basic LPS (sen)	(1.32)	(1.89)	(1.32)	(1.89)
Adjusted loss for the purpose of diluted earnings per share (RM'000)	(14,752)	(21,179)	(14,752)	(21,179)
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	1,121,237	1,121,077	1,121,237	1,121,077
Conversion of ICPS-i	1,099,840	1,100,000	1,099,840	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)	(0.66)	(0.95)	(0.66)	(0.95)

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29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31/3/2018 (RM'000)	Cummulative Period ended 31/3/2018 (RM'000)
Interest income	(12)	(12)
Interest expense	6,431	6,431
Depreciation	2,856	2,856
Inventories written down	7	7
	<hr/>	<hr/>
Unrealised forex loss recognised in Profit & Loss Account	10,021	10,021
Unrealised forex loss recognised in Other Comprehensive Income	40,691	40,691
	<hr/>	<hr/>
	50,712	50,712
	<hr/>	<hr/>

30 AUTHORISED FOR ISSUE

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