

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Dec-18 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-17 Unaudited RM'000	CURRENT YEAR TO DATE 31-Dec-18 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-17 Unaudited RM'000
Revenue	<b>2,177</b>	<b>352</b>	<b>2,585</b>	<b>5,397</b>
Cost of sales	(2,022)	(8,432)	(2,106)	(11,985)
Gross profit/(loss)	<b>155</b>	<b>(8,080)</b>	<b>479</b>	<b>(6,588)</b>
Other income	743	24,468	596,851	33,464
Administration expenses	(6,509)	(11,297)	(29,972)	(53,038)
Other expenses	3,327	(86,561)	(704,544)	(88,069)
Operating loss	<b>(2,284)</b>	<b>(81,470)</b>	<b>(137,186)</b>	<b>(114,231)</b>
Unrealised foreign exchange (loss)/gain, net	(11,151)	45,694	(12,854)	18,144
Finance cost	16,552	(5,725)	10,219	(23,790)
Share of loss of equity-accounted associate, net of tax	(80)	(41)	(82)	(41)
Profit/(Loss) before taxation	<b>3,037</b>	<b>(41,542)</b>	<b>(139,903)</b>	<b>(119,918)</b>
Taxation	-	(310)	-	(310)
Profit/(Loss) after taxation	<b>3,037</b>	<b>(41,852)</b>	<b>(139,903)</b>	<b>(120,228)</b>
Other comprehensive income/(loss) for the period, net of tax	4,252	(8,219)	(13,403)	(47,221)
Total comprehensive income/(loss) for the period	<b>7,289</b>	<b>(50,071)</b>	<b>(153,306)</b>	<b>(167,449)</b>
Profit/(Loss) attributable to:				
Owners of the Company	907	(33,372)	(2,565)	(103,497)
Non-controlling interests	2,130	(8,480)	(137,338)	(16,731)
	<b>3,037</b>	<b>(41,852)</b>	<b>(139,903)</b>	<b>(120,228)</b>
Total comprehensive income/(loss) attributable to:-				
Owners of the Company	144,627	(35,887)	(15,968)	(150,718)
Non-controlling interests	(137,338)	(14,184)	(137,338)	(16,731)
	<b>7,289</b>	<b>(50,071)</b>	<b>(153,306)</b>	<b>(167,449)</b>
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic profit/(loss) per share	0.08	(2.97)	(0.23)	(9.23)
ii) Fully diluted profit/(loss) per share	0.04	(1.50)	(0.12)	(4.66)
Gross interest income	908	46	2,224	184
Gross interest expense	(16,552)	5,725	(10,219)	23,790

(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 YEAR ENDED 31 DECEMBER 2018**

	As at 31-Dec-18 Unaudited RM'000	As at 31-Dec-17 Audited RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	235,347	960,623
Investment in associate	245	327
Deferred tax assets	1,876	1,876
	<b>237,468</b>	<b>962,826</b>
<b>Current Assets</b>		
Inventories	32	314
Trade and other receivables	39,198	44,238
Prepayments	252	352
Current tax asset	68	491
Cash and cash equivalents	60,981	17,314
	<b>100,531</b>	<b>62,709</b>
	<b>337,999</b>	<b>1,025,535</b>
<b>TOTAL ASSETS</b>		
<b>Particulars</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	280,318	280,309
Islamic Irredeemable Convertible Preference Shares ('ICPS-i')	274,951	274,960
Share premium	95,029	95,029
Revaluation reserves	51,822	57,141
Currency translation reserves	(50,821)	(44,102)
Accumulated losses	(596,771)	(592,843)
	54,528	70,494
	(193,024)	(62,974)
<b>Non-controlling interests</b>		
<b>Total (Capital Deficiency)/Equity</b>	<b>(138,496)</b>	<b>7,520</b>
<b>Non Current Liabilities</b>		
Borrowings	55,000	30,291
	<b>55,000</b>	<b>30,291</b>
<b>Current Liabilities</b>		
Trade and other payables	327,484	664,991
Borrowings	94,011	322,733
	<b>421,495</b>	<b>987,724</b>
<b>Total Liabilities</b>	<b>476,495</b>	<b>1,018,015</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>337,999</b>	<b>1,025,535</b>
<b>Net assets per share (sen)</b>	<b>5</b>	<b>6</b>

(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)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 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)
<b>Balance at 1 January 2018</b>	<b>280,309</b>	<b>274,960</b>	<b>95,029</b>	<b>57,141</b>	<b>(44,101)</b>	<b>(592,842)</b>	<b>70,496</b>	<b>(62,976)</b>	<b>7,520</b>
Other comprehensive loss for the period	-	-	-	-	(13,403)	-	(13,403)	-	(13,403)
Conversion of shares	9	(9)	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(2,565)	(2,565)	(137,338)	(139,903)
<b>Total comprehensive loss for the period</b>	<b>9</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(13,403)</b>	<b>(2,565)</b>	<b>(15,968)</b>	<b>(137,338)</b>	<b>(153,306)</b>
Deconsolidation of a subsidiary company	-	-	-	-	-	-	-	7,290	7,290
Change in functional currency	-	-	-	-	6,683	(6,683)	-	-	-
Realisation of revaluation reserves	-	-	-	(5,319)	-	5,319	-	-	-
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,319)</b>	<b>6,683</b>	<b>(1,364)</b>	<b>-</b>	<b>7,290</b>	<b>7,290</b>
<b>Balance at 31 December 2018</b>	<b>280,318</b>	<b>274,951</b>	<b>95,029</b>	<b>51,822</b>	<b>(50,821)</b>	<b>(596,771)</b>	<b>54,528</b>	<b>(193,024)</b>	<b>(138,496)</b>

  

	Share Capital (RM'000)	ICPS-i (RM '000)	Share Premium (RM'000)	Revaluation Reserves (RM'000)	Currency Translation Reserves (RM'000)	Accumulated Losses (RM'000)	Total (RM'000)	Non-controlling interest (RM'000)	Total Equity (RM'000)
<b>Balance at 1 January 2017</b>	<b>280,269</b>	<b>275,000</b>	<b>95,029</b>	<b>62,459</b>	<b>3,119</b>	<b>(494,664)</b>	<b>221,212</b>	<b>(46,243)</b>	<b>174,969</b>
Other comprehensive loss for the period	-	-	-	-	(47,221)	-	(47,221)	-	(47,221)
Conversion of shares	40	(40)	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(103,497)	(103,497)	(16,731)	(120,228)
<b>Total comprehensive loss for the period</b>	<b>40</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>(47,221)</b>	<b>(103,497)</b>	<b>(150,718)</b>	<b>(16,731)</b>	<b>(167,449)</b>
Realisation of revaluation reserves	-	-	-	(5,318)	-	5,318	-	-	-
<b>Total transaction with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,318)</b>	<b>-</b>	<b>5,318</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2017</b>	<b>280,309</b>	<b>274,960</b>	<b>95,029</b>	<b>57,141</b>	<b>(44,102)</b>	<b>(592,843)</b>	<b>70,494</b>	<b>(62,974)</b>	<b>7,520</b>

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

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	CUMMULATIVE QUARTER	
	CURRENT	CORRESPONDING
	YEAR TO DATE	PRECEDING
	31-Dec-18	31-Dec-17
	(RM'000)	(RM'000)
<b>Cash flows from operating activities</b>		
Loss before taxation	(139,903)	(119,918)
Adjustments for:		
Allowance for inventory obsolescence	-	1,779
Impairment loss on intangible assets	-	429
Amortisation of intangible assets	-	26
Depreciation of property, plant and equipment	10,994	26,644
Gain on disposal of property, plant and equipment	(999)	-
Impairment loss on receivables	4,258	9,967
Impairment loss on amount due from customer	-	29,731
Impairment loss on property, plant and equipment	711,518	19,322
Finance costs	10,219	23,790
Finance income	(2,224)	(184)
Waiver of debt arising from Scheme of Arrangement	(204,271)	-
Property, plant and equipment written off	-	50
Inventories written down	(100)	4,646
Gain on deconsolidation of a subsidiary	(15,547)	-
Gain on novation of JX Nippon Contract	(372,000)	-
Share of loss of associate	82	41
Unrealised foreign exchange loss/(gain)	12,854	(18,144)
<b>Operating loss before changes in working capital</b>	<b>14,881</b>	<b>(21,821)</b>
Changes in working capital:		
Inventories	382	741
Trade and other receivables	(481)	10,747
Trade and other payables	(123,447)	43,229
Net cash (used in)/ generated from operations	(108,665)	32,896
Interests received	2,224	184
Interests paid	(10,219)	(496)
Tax paid	423	(9)
<b>Net cash (used in)/ from operating activities</b>	<b>(116,237)</b>	<b>32,575</b>
<b>Cash flows used in investing activities</b>		
Decrease in pledged deposits placed with licensed banks, net	11,648	13,810
Proceeds from novation of JX Nippon Contract	372,000	-
<b>Net cash from investing activities</b>	<b>383,648</b>	<b>13,810</b>
<b>Cash flows used in financing activities</b>		
Repayment from loans and borrowings, net	(204,013)	(25,206)
<b>Net cash used in financing activities</b>	<b>(204,013)</b>	<b>(25,206)</b>
Net change in cash and cash equivalents	<b>63,398</b>	<b>21,179</b>
Effect of exchange rate translation	(6,720)	(23,607)
Cash and cash equivalents at beginning of period	2,448	4,876
Cash and cash equivalents at end of financial period	<b>59,126</b>	<b>2,448</b>
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	59,126	2,448
Deposits placed with licensed banks	1,855	14,866
	60,981	17,314
Less: Deposits pledged	(1,855)	(14,866)
	<b>59,126</b>	<b>2,448</b>

(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)**  
(Incorporated in Malaysia)

**The Board of Directors of TH Heavy Engineering Berhad is pleased to announce the financial results of the Group for the year ended 31 December 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 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 currently implementing a Regularisation Plan to address the financial condition of the Group and of the Company which mainly comprise the following: (i) the 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. Please refer to the Note 23 on the status of corporate proposal in relation to the Regularisation Plan.

The Group believes that the Regularisation Plan once 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:

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

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

**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.

**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**8. DIVIDENDS PAID**

There were no dividends paid during the current financial period.

**9. SEGMENTAL REPORTING**

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

<b>Business Segment</b>	<b>Financial Period Ended</b>	
	<b>31 December 2018</b>	
	<b>Revenue</b>	<b>Loss Before</b>
	<b>(RM'000)</b>	<b>Taxation</b>
		<b>(RM'000)</b>
Construction Services	2,526	46,179
Offshore Crane Works	59	(4,830)
Offshore Services	-	(5,929)
Holding company & Others	6,914	(192,152)
<b>Sub Total</b>	<b>9,499</b>	<b>(156,732)</b>
Consolidation Adjustment	(6,914)	16,829
<b>Total</b>	<b>2,585</b>	<b>(139,903)</b>

Analysis by geographical segments has not been presented as the operations of the Group are principally in Malaysia.

**10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There was no revaluation made during the financial period under review.

**11. SUBSEQUENT EVENTS**

There were no subsequent events during the quarter under review.

**12. SIGNIFICANT EVENTS**

- (a) On 25 October 2018, the Company submitted an application for extension of time to submit the regularisation plan (“**EOT Application**”) to Bursa Malaysia. On 14 November 2018, Bursa Malaysia granted the Company an extension of time up to 25 April 2019 to submit a regularisation plan to Bursa and/or other the relevant regulatory authorities.
- (b) On 28 December 2018, the shares held by Lembaga Tabung Haji in the Company were transferred to Urusharta Jamaah Sdn. Bhd, a wholly owned subsidiary of Minister of Finance (Incorporated).

There were no other significant events after the end of the current quarter.

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

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

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

	<b>Group</b> <b>(RM'000)</b>
Potential liabilities claims by Scheme Creditors	60,497

In prior year, Scheme Creditors submitted claims under the Scheme of Arrangement (“Scheme”). However, the said amount is being disputed and pursuant to the Scheme, should there be any disputes or differences that may arise between the Scheme Companies and the Scheme Creditors with regards to the claims which are unable to be settled amicably, shall be referred to and settled by way of arbitration. The award of the arbitrator shall be final and binding.

Other than as disclosed above, there are no other contingent liabilities and contingent assets during the financial period under review.

**15. CAPITAL COMMITMENTS**

In prior year, the capital commitments consist mainly of costs to be incurred for the upgrading at the Pulau Indah yard and the conversion for the FPSO Layang project. Since the Scheme has been approved, the Group is discharged from fulfilling all the outstanding obligations and/or commitments pertaining to the upgrading of Pulau Indah Yard and the conversion for the FPSO Layang project. Hence, there is no capital commitment during the financial period under review.



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

**16. REVIEW OF PERFORMANCE OF FOURTH QUARTER**

	Revenue		Profit/(Loss) Before Tax	
	4th Quarter ended 31/12/2018 (RM'000)	4th Quarter ended 31/12/2017 (RM'000)	4th Quarter ended 31/12/2018 (RM'000)	4th Quarter ended 31/12/2017 (RM'000)
<b>Business Segment</b>				
Construction Services	2,177	267	5,544	(78,183)
Offshore Crane Works	-	85	(2,991)	(2,425)
Offshore Services	-	-	-	212
Holding company & Others	1,728	1,729	2,565	(12,015)
<b>Sub Total</b>	<b>3,905</b>	<b>2,081</b>	<b>5,118</b>	<b>(92,411)</b>
Consolidation adjustment	(1,728)	(1,729)	(2,081)	50,869
<b>Total</b>	<b>2,177</b>	<b>352</b>	<b>3,037</b>	<b>(41,542)</b>

The Group recorded revenue of RM2.1 million for the fourth quarter 2018 as compared to RM0.3 million in the previous fourth quarter of 2017. The revenue is derived from facility charges for ongoing project. The increase in revenue is due to the higher fabrication construction activities during the quarter.

The Group recorded a profit before tax of RM3.0 million in the current quarter as compared to loss before tax of RM41.5 million in the corresponding quarter of 2017 mainly arising from reversal of project cost, reversal of finance cost arising from SOA exercise, lower impairment loss on receivables , lower impairment loss on property, plant and equipment as well as one off impairment loss on amount due from customer in the prior year.

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

	Revenue		Profit/(Loss) Before Tax	
	4th Quarter ended 31/12/2018 (RM'000)	3rd Quarter ended 30/9/2018 (RM'000)	4th Quarter ended 31/12/2018 (RM'000)	3rd Quarter ended 30/9/2018 (RM'000)
<b>Business Segment</b>				
Construction Services	2,177	69	5,544	2,085
Offshore Crane Works	-	10	(2,991)	6,944
Offshore services	-	-	-	6
Holding company & Others	1,728	1,728	2,565	91,206
<b>Total</b>	<b>3,905</b>	<b>1,807</b>	<b>5,118</b>	<b>100,241</b>
Consolidation adjustment	(1,728)	(1,728)	(2,081)	(2)
<b>Total</b>	<b>2,177</b>	<b>79</b>	<b>3,037</b>	<b>100,239</b>

For the current quarter under review, the Group recorded revenue of RM2.1 million as compared to revenue of RM79,000 in the immediate preceding quarter. The Group recorded a profit before tax of RM3.0 million in the fourth quarter 2018 as compared to a profit before tax of RM100.2 million for the immediate preceding quarter mainly due reversal of project cost and reversal of finance cost arising from SOA exercise .

**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 pending the issuance of ICPS-i to the Scheme Creditors as disclosed in Note 23.

As at 31 December 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 three units of OPV for MMEA of RM697.4 million excluding GST.

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.

**TH HEAVY ENGINEERING BERHAD (634775-D)**  
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**20. TAXATION**

There is no tax expense during the current quarter and financial year.

**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 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 implementing a Regularisation Plan which mainly comprise, among others, the following: (i) the JX Nippon Contract Novation 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 16 May 2018, Bursa Malaysia has granted the Company an extension of time up to 26 October 2018 to submit the Regularisation Plan to the regulatory authorities for approval.

On 25 October 2018, the Company submitted an application for extension of time to submit the regularisation plan (“EOT Application”) to Bursa Securities. On 14 November 2018, Bursa Malaysia granted the Company an extension of time up to 25 April 2019 to submit a regularisation plan to Bursa and/or other the relevant regulatory authorities.

**(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 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

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

the Company and term out of the existing facility. Any remaining amount owing to the Scheme Creditors after the aforesaid shall be completely waived. The Company received the Novation Consideration of RM374 million from YESB on 1 June 2018. Commencing from 1 June 2018, the Company and the Group has made substantial settlement for the cash portion to their respective Scheme Creditors.

**(c) The Novation of JX Nippon Contract**

The Company had novated the JX Nippon Contract to YESB which was completed on 1 June 2018 following the full payment of the Novation Consideration.

As of the date of this report, the gross proceeds from the JX Nippon Contract Novation of RM374 million was utilized in the following manner:

<b>Details</b>	<b>Estimated timeframe</b>	<b>Proposed</b>	<b>Actual</b>	<b>Variance</b>	
		<b>utilisation RM'mil</b>	<b>utilisation RM'mil</b>	<b>RM'mil</b>	<b>%</b>
Payment to Scheme Creditors*	1 month	352.8	330.9	21.9	6%
Estimated expenses^	1 month	21.2	3.1	18.1	85%
Working capital	6 months	-	9.8	-9.8	NA
		<u>374.0</u>	<u>343.8</u>	<u>30.2</u>	

\* The negotiation with the Scheme Creditors are still ongoing with respect to the disputed amount and the full settlement sum will be subjected to the terms and conditions of the Schemes.

^ The proceeds were utilised for other purposes instead of the initial proposed utilisation for GST cost of RM21.1 million. There was no payment for GST cost as GST was zero rated effective from 1 June 2018.

The utilisation of the proceeds as disclosed above should be read in conjunction with the Circular of the Company dated 29 January 2018.

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

**24. BORROWINGS AND DEBT SECURITIES**

	<b>Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>
<b><u>Long Term Borrowings</u></b>		
- Finance lease liabilities	-	291
- Sukuk	55,000	30,000
<b>Sub Total</b>	<b>55,000</b>	<b>30,291</b>
<b><u>Short Term Borrowings</u></b>		
- Sukuk	54,200	209,808
- Secured term loan	14,961	14,921
- Bridger loan - secured	10,609	41,823
- Revolving credit facilities - unsecured	14,000	55,999
- Finance lease liabilities	241	182
<b>Sub Total</b>	<b>94,011</b>	<b>322,733</b>
<b>Total borrowings</b>	<b>149,011</b>	<b>353,024</b>

**25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

**26. MATERIAL LITIGATIONS**

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) **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. Notice of Discontinuance (by Consent) was executed by both parties on 30 November 2018.

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

**26. MATERIAL LITIGATION (CONTINUED)**

(b) **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.

On 18 June 2018, GMOS withdrew its application for a perpetual injunction to restrain THHE from presenting the winding up petition against GMOS; and its application for a Fortuna Injunction against THHE, in exchange for THHE not presenting the winding up petition against GMOS for the sum of RM 17,974,095.

The Group’s solicitor will commence a summary judgment application in Suit 374 for the abovementioned sum.

This matter has been withdrawn and discontinued on 18 June 2018.

(c) **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 made the Orders in favour of the Defendant. However, the Company has filed appeals against the striking out orders so that it will not prejudice THHE’s Counterclaim in Suit 374 or its other actions against GMOS. The Group’s solicitor is of the view that there is a fair chance of succeeding in the abovementioned Appeals.

This matter has been discontinued in the High Court on 20 June 2018 by consent and this has been affirmed by the Court of Appeal on 15 November 2018.

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

**26. MATERIAL LITIGATION (CONTINUED)**

- (d) **Globalmariner Offshore Services Sdn. Bhd. vs TH Heavy Engineering Berhad & Floatech (L) Ltd. (Civil Suit: WA-22NCC-374-11/2016 was filed at Kuala Lumpur High Court) (“Suit 374”)**

Globalmariner Offshore Services Sdn. Bhd. (“GMOS”) brought an action in the Kuala Lumpur High Court against the Company claiming that they are entitled to purchase THHE’s 80% shareholding in Floatech (L) Ltd on 31 October 2016 pursuant to their claim that THHE is insolvent due to several winding up petitions being presented against THHE at the Kuala Lumpur High Court by its creditors.

GMOS claims that according to the Shareholders Agreement and Share Sale Agreement entered into between GMOS and THHE, it is entitled to issue its Default Notice dated 20 July 2016 and Default Sale Notice dated 29 July 2016 and subsequently be entitled the option of purchasing all of THHE’s shares in Floatech (L) Ltd.

On 23 May 2018, 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.,

A summary judgment application and an application (to determine the issue regarding the Default Notices without going to trial) by THHE were both filed on 28 September 2018. The High Court however dismissed both the applications on 14 January 2019 and 15 January 2019 respectively (“Decisions”), and THHE has filed an appeal against the respective Decisions (“Appeals”). The Appeals are presently pending before the Court of Appeal and the Group’s solicitors are of the opinion that there is a fair chance in succeeding in these Appeals.

The High Court has fixed trial on the following dates:

- (i) 16 to 20 December 2019,
- (ii) 3 to 7 February 2020; and
- (iii) 17 to 21 February 2020.

The Group’s solicitor is of the opinion that there is a fair chance of defending the proceedings.

**27. PROPOSED DIVIDENDS**

No dividends have been proposed for the current reporting quarter.

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

**28. LOSS PER SHARE**

Earning per share ('EPS')	FOURTH QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Financial Period	Preceding Corresponding
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Profit/(Loss) for the purpose of basic earnings per share (RM'000)	907	(33,372)	(2,565)	(103,497)
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
<b>Basic EPS (sen)</b>	<b>0.08</b>	<b>(2.97)</b>	<b>(0.23)</b>	<b>(9.23)</b>
Adjusted profit/(loss) for the purpose of diluted earnings per share (RM'000)	907	(33,372)	(2,565)	(103,497)
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	1,099,805	1,100,000	1,099,805	1,100,000
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	<b>2,221,042</b>	<b>2,221,077</b>	<b>2,221,042</b>	<b>2,221,077</b>
<b>Diluted EPS (sen)</b>	<b>0.04</b>	<b>(1.50)</b>	<b>(0.12)</b>	<b>(4.66)</b>

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

	Quarter ended 31/12/2018	Cummulative Period ended 31/12/2018
	(RM'000)	(RM'000)
Interest income	(908)	(2,224)
Interest expense	(16,552)	(10,219)
Impairment of receivables	4,258	4,258
Impairment of property, plant and equipment	2,747	711,518
Depreciation of property, plant of equipment	2,603	10,994
Gain on disposal property, plant and equipment	-	(999)
Gain on novation of JX Nippon Contract	-	(372,000)
Gain on deconsolidation of THEOS	1,363	(15,547)
Inventories written down	(122)	(100)
Waiver of debt arising from Scheme of Arrangement	166	(204,271)
Unrealised forex loss recognised in Profit & Loss Account	11,151	12,854
Realised forex (gain)	(1,452)	(1,452)



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

**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.