

TH HEAVY ENGINEERING BERHAD (634775-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Mar-19 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Mar-18 Unaudited RM'000	CURRENT YEAR TO DATE 31-Mar-19 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Mar-18 Unaudited RM'000
Revenue	11,530	186	11,530	186
Cost of sales	(870)	(20)	(870)	(20)
Gross profit	10,660	166	10,660	166
Other income	510	30	510	30
Administration expenses	(7,863)	(6,593)	(7,863)	(6,593)
Other expenses	(32)	(2,697)	(32)	(2,697)
Operating profit/(loss)	3,275	(9,094)	3,275	(9,094)
Unrealised loss	(18)	(10,021)	(18)	(10,021)
Finance cost	(1,152)	(6,431)	(1,152)	(6,431)
Share of loss of equity-accounted associate, net of tax	(47)	(2)	(47)	(2)
Profit/(Loss) before taxation	2,058	(25,548)	2,058	(25,548)
Taxation	-	-	-	-
Profit/(Loss) after taxation	2,058	(25,548)	2,058	(25,548)
Other comprehensive income for the period, net of tax	-	(26,194)	-	(26,194)
Total comprehensive income/(loss) for the period	2,058	(51,742)	2,058	(51,742)
Profit/(Loss) attributable to:				
Owners of the Company	2,484	(14,752)	2,484	(14,752)
Non-controlling interests	(426)	(10,796)	(426)	(10,796)
	2,058	(25,548)	2,058	(25,548)
Total comprehensive income/(loss) attributable to:-				
Owners of the Company	2,484	(40,946)	2,484	(40,946)
Non-controlling interests	(426)	(10,796)	(426)	(10,796)
	2,058	(51,742)	2,058	(51,742)
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic profit/(loss) per share	0.22	(1.32)	0.22	(1.32)
ii) Fully diluted profit/(loss) per share	0.11	(0.66)	0.11	(0.66)
Gross interest income	490	12	490	12
Gross interest expense	1,152	6,431	1,152	6,431

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

TH HEAVY ENGINEERING BERHAD (634775-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 MARCH 2019**

	As at 31-Mar-19 Unaudited RM'000	As at 31-Dec-18 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	233,016	235,347
Investment in associate	198	245
Deferred tax assets	1,876	1,876
	235,090	237,468
Current Assets		
Inventories	31	32
Trade and other receivables	50,594	42,731
Prepayments	427	251
Current tax asset	35	68
Cash and cash equivalents	57,204	60,981
	108,291	104,063
	343,381	341,531
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	375,347	280,318
Islamic Irredeemable Convertible Preference Shares ('ICPS-i')	274,951	274,951
Share premium	-	95,029
Revaluation reserves	51,822	51,822
Currency translation reserves	(50,821)	(50,821)
Accumulated losses	(594,288)	(596,772)
	57,011	54,527
Non-controlling interests	(193,449)	(193,023)
Capital Deficiency	(136,438)	(138,496)
Non Current Liabilities		
Borrowings	55,000	55,083
	55,000	55,083
Current Liabilities		
Trade and other payables	330,845	331,017
Borrowings	93,974	93,927
	424,819	424,944
Total Liabilities	479,819	480,027
TOTAL EQUITY AND LIABILITIES	343,381	341,531
Net assets per share (sen)	5	5

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

TH HEAVY ENGINEERING BERHAD (634775-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019**

	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 2019	280,318	274,951	95,029	51,822	(50,821)	(596,772)	54,527	(193,023)	(138,496)
Credit arising from share premium reduction	95,029	-	(95,029)	-	-	-	2,484	(426)	-
Profit for the period	-	-	-	-	-	2,484	2,484	(426)	2,058
Total comprehensive loss for the period	95,029	-	(95,029)	-	-	2,484	2,484	(426)	2,058
Balance at 31 March 2019	375,347	274,951	-	51,822	(50,821)	(594,288)	57,011	(193,449)	(136,438)

	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)	(16,731)	(31,483)
Total comprehensive loss for the period	-	-	-	-	(26,194)	(14,752)	(40,946)	(16,731)	(57,677)
Balance at 31 March 2018	280,309	274,960	95,029	57,141	(70,295)	(607,594)	29,550	(79,707)	(50,157)

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

TH HEAVY ENGINEERING BERHAD (634775-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019**

	CURRENT YEAR TO DATE 31-Mar-19 (RM'000)	CUMMULATIVE QUARTER CORRESPONDING PRECEDING YEAR 31-Mar-18 (RM'000)
Cash flows from operating activities		
Profit before taxation	2,058	(25,548)
Adjustments for:		
Depreciation of property, plant and equipment	2,336	2,856
Finance costs	1,152	6,431
Finance income	(490)	(12)
Inventories written down	3	7
Share of loss of associate	47	2
Unrealised foreign exchange loss	18	10,021
Operating loss before changes in working capital	5,124	(6,243)
Changes in working capital:		
Inventories	(2)	(1)
Trade and other receivables	(8,038)	(866)
Trade and other payables	(195)	38,314
Net cash (used in)/ generated from operations	(3,111)	31,204
Interests received	490	12
Interests paid	(1,152)	(6,431)
Tax refund	33	449
Net cash (used in)/ from operating activities	(3,740)	25,234
Cash flows used in investing activities		
Decrease in pledged deposits placed with licensed banks, net	1,842	807
Net cash from investing activities	1,842	807
Cash flows used in financing activities		
Repayment from loans and borrowings, net	(36)	28
Net cash used in financing activities	(36)	28
Net change in cash and cash equivalents	(1,934)	26,069
Effect of exchange rate translation	(1)	(26,194)
Cash and cash equivalents at beginning of period	59,095	2,447
Cash and cash equivalents at end of financial period	57,160	2,322
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	1,058	2,322
Deposits placed with licensed banks	56,146	14,059
	57,204	16,381
Less: Deposits pledged	(44)	(14,059)
	57,160	2,322

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018)

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 March 2019

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 reading conjunction with the Group’s audited financial statements for the financial year ended 31 December 2018. 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 2018.

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 2018 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 formulating a Proposed Regularisation Plan to address the financial condition of the Group and of the Company which mainly comprise the following: (i) 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 (ii) 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 2018 except as disclosed below:

As of 1 January 2019, 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 2019:

- MFRS 16: Leases
- Amendments to MFRS 119 'Employees Benefits': Plant Amendment, Curtailment or Settlement
- Annual Improvement to MFRSs 2015 – 2017 Cycle: Amendment to MFRS 3 'Business Combinations', MFRS 122 'Income Taxes' and MFRS 123 'Borrowing Cost'

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 2018.

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.

8. DIVIDENDS PAID

There were no dividends paid during the current financial period.

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

9. SEGMENTAL REPORTING

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

Business Segment	Financial Period Ended	
	31 March 2019	
	Revenue	Loss Before
	(RM'000)	Taxation
		(RM'000)
Construction Services	11,494	5,273
Offshore Crane Works	36	(641)
Holding company & Others	1,729	(2,528)
Sub Total	13,259	2,104
Consolidation Adjustment	(1,729)	(46)
Total	11,530	2,058

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

On 24 April 2019, 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 Malaysia’s approval.

On 17 May 2019, Bursa Malaysia granted the Company an extension of time up to 24 October 2019 to submit a regularisation plan to Bursa and/or other the relevant regulatory authorities.

12. SIGNIFICANT EVENTS

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)
(Incorporated in Malaysia)

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Group (RM'000)
Potential liabilities claims by Scheme Creditors	32,252

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

	Group (RM'000)
Approved and contracted for	13,000

The capital commitments mainly consist of costs to be incurred for the infrastructure of slipway at the Pulau Indah yard for support of the OPV Project.

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.

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 FIRST QUARTER

	Revenue		Profit/(Loss) Before Tax	
	1st Quarter ended 31/3/2019 (RM'000)	1st Quarter ended 31/3/2018 (RM'000)	1st Quarter ended 31/3/2019 (RM'000)	1st Quarter ended 31/3/2018 (RM'000)
Business Segment				
Construction Services	11,494	151	5,273	(9,487)
Offshore Crane Works	36	34	(641)	(1,403)
Offshore Services	-	-	-	(7)
Holding company & Others	1,729	1,730	(2,528)	(55,339)
Sub Total	13,259	1,915	2,104	(66,236)
Consolidation adjustment	(1,729)	(1,729)	(46)	40,688
Total	11,530	186	2,058	(25,548)

The Group recorded revenue of RM11.5 million for the first quarter 2019 as compared to RM0.1 million in the previous first quarter of 2018. The revenue is derived from constructions services for Offshore Petrol Vessel (OPV) project. The increase in revenue is due to the recognition revenue from the OPV during the quarter.

The Group recorded a profit before tax of approximately RM2.0 million in the current quarter as compared to loss before tax of RM25.5 million in the corresponding quarter of 2018 mainly arising from strong contribution from OPV Project, lower unrealised foreign exchange loss and lower financing cost.

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

17. REVIEW OF QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Profit/(Loss) Before Tax	
	1st Quarter ended 31/3/2019 (RM'000)	4th Quarter ended 31/12/2018 (RM'000)	1st Quarter ended 31/3/2019 (RM'000)	4th Quarter ended 31/12/2018 (RM'000)
Business Segment				
Construction Services	11,494	2,177	5,273	5,544
Offshore Crane Works	36	-	(641)	(2,991)
Offshore services	-	-	-	-
Holding company & Others	1,729	1,728	(2,528)	2,565
Total	13,259	3,905	2,104	5,118
Consolidation adjustment	(1,729)	(1,728)	(46)	(2,081)
Total	11,530	2,177	2,058	3,037

For the current quarter under review, the Group recorded revenue of RM11.5 million as compared to revenue of RM2.1 million in the immediate preceding quarter due to strong contribution from OPV Project. The Group recorded a profit before tax of RM2.0 million in the first quarter 2019 as compared to a profit before tax of RM3.0 million for the immediate preceding quarter mainly due to exclusion of one off item reversal of project cost and financing cost in immediate preceding quarter.

18. COMMENTARY ON PROSPECTS

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

As at 31 March 2019, 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 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 period and therefore no comparison is made available.

20. TAXATION

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

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

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 listed issuer, the Company is required to submit a Regularisation Plan to address the PN17 status within 12 months from 28 April 2017 to Bursa Malaysia for approval. The Company is currently in the process of formulating the Proposed Regularisation Plan for submission and during the financial year, it has applied to and has been granted extension of time twice up to 25 April 2019 by Bursa Malaysia to submit the Proposed Regularisation Plan.

On 24 April 2019, the Company submitted an application for extension of time to submit the regularisation plan (“**EOT Application**”) to Bursa Malaysia. On 17 May 2019, Bursa Malaysia granted the Company an extension of time up to 24 October 2019 to submit a regularisation plan to Bursa and/or other the relevant regulatory authorities.

The Proposed Regularisation Plan will mainly comprise the following: (i) Proposed capital reconstruction exercise involving the conversion of existing Irredeemable Convertible Preference Shares-i (“ICPS-i”) to ordinary shares, proposed issuance of new ICPS-i in the Company, and a capital reduction and amalgamation exercise for which the quantum has not been finalised; and (ii) Proposed disposal of certain non-core assets.

(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 2017. 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.

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

23. STATUS OF CORPORATE PROPOSALS (CONTINUED)

(b) Scheme of Arrangement (Continued)

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, proposed 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. The Approved Scheme Companies are currently in the process of implementing the Schemes.

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:

Details	Estimated timeframe	Proposed	Actual	Variance	
		utilisation RM'mil	utilisation RM'mil	RM'mil	%
Payment to Scheme Creditors*	1 month	352.8	319.9	32.9	9%
Estimated expenses^	1 month	21.2	3.3	17.9	84%
Working capital	6 months	-	15.2	-15.2	NA
		<u>374.0</u>	<u>338.4</u>	<u>35.6</u>	

* Amount owing to the Scheme Creditors is lower than the amount disclosed in the Circular, due to the following reasons:

- (i) variation in the amount of disputed debt admitted under the proof of debt exercise pursuant to the Schemes, which is currently under negotiation;
- (ii) the amount owing to the Scheme Creditors of THEOS will be separately settled through proceeds from liquidation of THEOS;
- (iii) the final amount owing to the Scheme Creditors of OGW of RM8.8 million will be settled through THFSB's Schemes, hence not included in the above settlement schedule; and
- (iv) lower exchange rate applied on foreign payables admitted under the proof of debt exercise pursuant to 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

	Group	
	As at	As at
	31 March	31 December
	2019	2018
	(RM'000)	(RM'000)
<u>Long Term Borrowings</u>		
- Sukuk	55,000	55,000
Sub Total	55,000	55,000
<u>Short Term Borrowings</u>		
- Sukuk	54,200	54,200
- Secured term loan	14,961	14,961
- Bridger loan - secured	10,609	10,609
- Revolving credit facilities - unsecured	14,000	14,000
- Finance lease liabilities	204	241
Sub Total	93,974	94,011
Total borrowings	148,974	149,011

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 31 March 2019.

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) **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.

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

26. MATERIAL LITIGATION (CONTINUED)

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 to Globalmariner Offshore Services Sdn. Bhd., Zahar Mohd Hashim Zainuddin, Abdul Rahman Bin Mohamed Shariff, Nor Badli Munawir Bin Mohamad Alias Lafti, Globalmariner Offshore Services (L) Ltd and 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 16 to 20 December 2019, 3 to 7 February 2020 and 17 to 21 February 2020.

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

(b) **Drydock World – Dubai LLC vs Floatech (L) Ltd. (Dubai Court of First Instance, Number 63346/2019)**

Floatech (L) Limited ("Floatech"), a 80% owned subsidiary of THHE, had received a Writ of Summons filed by Drydocks World – Dubai LLC ("DWD") ("Plaintiff") on 23 April 2019 in the Dubai Courts of First Instance ("Court"). A copy was served via email to a third party on 29 April 2019.

DWD is demanding Floatech to pay the sum of USD6,224,494, equivalent to AED22,906,137 for the wharfage charges, maintenance, repairs and installation equipment carried out by the Plaintiff on FPSO Layang vessel. In addition, DWD also claims a legal interest of twelve percent (12%) per annum from due date until the date of full settlement with expeditious execution without bail and all fees, charges and attorney fees.

THHE has appointed a local legal firm ("Counsel") and the Counsel has attended court on 5 May 2019. The matter is set on 11 June 2019 for filing of power of attorney and memorandum defence.

The Group's solicitor is currently perusing the documents and assessing the merits of the claim. Nevertheless, THHE is not expected to incur any additional cost except for legal cost, as the amount claim has been accrued for.

(c) **THHE Fabricators Sdn. Bhd. vs Murphy Sarawak Oil Company Limited**

THHE Fabricators Sdn. Bhd. ("THF") had filed and served a Notice of Arbitration dated 27 May 2019 on Murphy Sarawak Oil Company Limited ("Murphy"). THF is seeking to invoke the arbitration clause contained in Article 36.1 of the "Contract No. MURPHY/P12005 - Contract for the Engineering, Procurement, Construction and Commissioning of the Permas Production Platform-A Topside for Murphy's Sarawak SK311 Development Project" between THF and Murphy made effective on 1 April 2013 (hereinafter referred to as the "EPCC Contract").

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

26. MATERIAL LITIGATION (CONTINUED)

THF completed its obligations under the EPCC Contract and effected the handover of the Permas Topside, achieving the offshore mechanical completion date stipulated by Murphy, on 8 December 2014.

On 6 November 2014 and on 3 June 2015, THF submitted Change Order Proposal No. 37 Revision 0 (for RM112,993,387.53) and Change Order Proposal No. 37 Revision 1 (for RM 112,744,482.05) respectively (collectively “COP No. 37”) to Murphy setting out in detail and justifying the total additional costs incurred by THF (“Additional Costs”) as a result of loss and expenses incurred due to major design changes and additional works that required amongst others, massive reengineering works and significant increase in size, weight and complexity of the EPCC Contract; prolongation of Hookup and Commissioning campaign work offshore caused by Murphy; and various Field Instructions issued by Murphy.

Despite THF’s submission of the said COP No. 37 to Murphy, no payments were forthcoming. Amicable attempts at resolving the disputes were also unsuccessful. THF accordingly refers this claim to arbitration pursuant to Article 36.1 of the EPCC Contract. THF is claiming from Murphy the sum of RM112,744,482.05 being the Additional Costs incurred by THF; and further and/or alternatively, such costs incurred by THF over and above its obligations under the EPCC Contract on a quantum merit basis.

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

28. LOSS PER SHARE

Earning per share ('EPS')	FIRST QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31-Mar-19	Preceding Year Corresponding Quarter 31-Mar-18	Current Financial Period 31-Mar-19	Preceding Corresponding 31-Mar-18
Profit/(Loss) for the purpose of basic earnings per share (RM'000)	2,484	(14,752)	2,484	(14,752)
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 EPS (sen)	0.22	(1.31)	0.22	(1.32)
Adjusted profit/(loss) for the purpose of diluted earnings per share (RM'000)	2,484	(14,752)	2,484	(14,752)
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)	2,221,042	2,221,077	2,221,042	2,221,077
Diluted EPS (sen)	0.11	(0.66)	0.11	(0.66)

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

29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31/3/2019 (RM'000)	Cummulative Period ended 31/3/2019 (RM'000)
Interest income	(490)	(490)
Interest expense	(1,152)	(1,152)
Depreciation of property, plant of equipment	2,336	2,336
Inventories written down	3	3
Unrealised forex loss recognised in Profit & Loss Account	18	18

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.