

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR 31-Mar-20 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Mar-19 Unaudited RM'000	CURRENT YEAR TO DATE 31-Mar-20 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Mar-19 Unaudited RM'000
Revenue	18,937	11,530	18,937	11,530
Cost of sales	(7,636)	(870)	(7,636)	(870)
Gross profit	11,301	10,660	11,301	10,660
Other income	64	510	64	510
Administration expenses	(8,560)	(7,863)	(8,560)	(7,863)
Other expenses	(7)	(32)	(7)	(32)
Operating profit	2,798	3,275	2,798	3,275
Unrealised foreign exchange loss	(44)	(18)	(44)	(18)
Finance cost	(929)	(1,152)	(929)	(1,152)
Share of loss of equity-accounted associate, net of tax	(46)	(47)	(46)	(47)
Profit before taxation	1,779	2,058	1,779	2,058
Taxation	-	-	-	-
Profit after taxation	1,779	2,058	1,779	2,058
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	1,779	2,058	1,779	2,058
Profit/(Loss) attributable to:				
Owners of the Company	2,502	2,484	2,502	2,484
Non-controlling interests	(723)	(426)	(723)	(426)
	1,779	2,058	1,779	2,058
Total comprehensive income/(loss) attributable to:-				
Owners of the Company	2,502	2,484	2,502	2,484
Non-controlling interests	(723)	(426)	(723)	(426)
	1,779	2,058	1,779	2,058
Profit attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic profit per share	0.22	0.22	0.22	0.22
ii) Fully diluted profit per share	0.11	0.11	0.11	0.11
Gross interest income	60	490	60	490
Gross interest expense	929	1,152	929	1,152

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 MARCH 2020**

	As at 31-Mar-20 Unaudited RM'000	As at 31-Dec-19 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	224,177	226,115
Investment in associate	10	56
Deferred tax assets	1,876	1,876
	226,063	228,047
Current Assets		
Inventories	149	2
Trade and other receivables	63,351	57,192
Prepayments	562	874
Current tax asset	136	43
Cash and cash equivalents	20,831	26,553
	85,029	84,664
	311,092	312,711
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	375,353	375,353
Islamic Irredeemable Convertible Preference Shares ('İCPS-i')	274,945	274,945
Revaluation reserves	46,503	46,503
Currency translation reserves	(50,821)	(50,821)
Accumulated losses	(576,572)	(579,073)
	69,408	66,907
Non-controlling interests	(196,212)	(195,489)
Capital Deficiency	(126,804)	(128,582)
Non Current Liabilities		
Borrowings	40,000	40,007
	40,000	40,007
Current Liabilities		
Trade and other payables	299,257	302,634
Borrowings	98,639	98,652
	397,896	401,286
Total Liabilities	437,896	441,293
TOTAL EQUITY AND LIABILITIES	311,092	312,711
Net assets per share (sen)	6	6

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020**

	Share <u>Capital</u> (RM'000)	<u>ICPS-i</u> (RM '000)	Share <u>Premium</u> (RM'000)	Revaluation <u>Reserves</u> (RM'000)	Currency Translation <u>Reserves</u> (RM'000)	Accumulated <u>Losses</u> (RM'000)	<u>Total</u> (RM'000)	Non-controlling <u>interest</u> (RM'000)	<u>Total Equity</u> (RM'000)
Balance at 1 January 2020	375,353	274,945	-	46,503	(50,821)	(579,074)	66,906	(195,489)	(128,583)
Other comprehensive loss for the period									-
Profit for the period	-	-	-	-	-	2,502	2,502	(723)	1,779
Balance at 31 March 2020	375,353	274,945	-	46,503	(50,821)	(576,572)	69,408	(196,212)	(126,804)

	Share <u>Capital</u> (RM'000)	<u>ICPS-i</u> (RM '000)	Share <u>Premium</u> (RM'000)	Revaluation <u>Reserves</u> (RM'000)	Currency Translation <u>Reserves</u> (RM'000)	Accumulated <u>Losses</u> (RM'000)	<u>Total</u> (RM'000)	Non-controlling <u>interest</u> (RM'000)	<u>Total Equity</u> (RM'000)
Balance at 1 January 2019	280,318	274,951	95,029	51,822	(50,821)	(596,771)	54,528	(193,022)	(138,494)
Other comprehensive loss for the period									
Profit for the period	-	-	-	-	-	2,484	2,484	(426)	2,058
Total comprehensive income for the period	-	-	-	-	-	2,484	2,484	(426)	2,058
Transfer to/(from) in accordance with Section 618(2) of the Companies Act 2016	95,029	-	(95,029)	-	-	-	-	-	-
Total transaction with owners of the Company	95,029	-	(95,029)	-	-	-	-	-	-
Balance at 31 March 2019	375,347	274,951	-	51,822	(50,821)	(594,287)	57,012	(193,448)	(136,436)

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

TH HEAVY ENGINEERING BERHAD

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020**

	CUMMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31-Mar-20 (RM'000)	CORRESPONDING PRECEDING YEAR 31-Mar-19 (RM'000)
Cash flows from operating activities		
Profit before taxation	1,779	2,058
Adjustments for:		
Depreciation of property, plant and equipment	1,980	2,336
Finance costs	929	1,152
Finance income	(60)	(490)
Waiver of debt arising from Scheme of Arrangement	14	-
Inventories written down	-	3
Share of loss of associate	46	47
Unrealised foreign exchange (gain)/loss	44	18
Operating profit before changes in working capital	4,732	5,124
Changes in working capital:		
Inventories	(147)	(2)
Trade and other receivables	(5,847)	(8,039)
Trade and other payables	(3,477)	(195)
Net cash used in operations	(4,739)	(3,112)
Interests received	60	490
Interests paid	(929)	(1,152)
Tax (paid)/refund	(93)	33
Net cash used in operating activities	(5,701)	(3,741)
Cash flows used in investing activities		
Increase in pledged deposits placed with licensed banks	-	1,842
Net cash from investing activities	-	1,842
Cash flows used in financing activities		
Repayment from loans and borrowings, net	(20)	(36)
Net cash used in financing activities	(20)	(36)
Net change in cash and cash equivalents	(5,721)	(1,935)
Cash and cash equivalents at beginning of period	21,839	59,095
Cash and cash equivalents at end of financial period	16,118	57,160
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	14,808	1,058
Deposits placed with licensed banks	6,023	56,146
	20,831	57,204
Less: Deposits pledged	(4,713)	(44)
	16,118	57,160

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019)

TH HEAVY ENGINEERING BERHAD

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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 2020

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 2019. 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 2019.

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 2019 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 the existing ICPS-i into ordinary shares, proposed issuance of new ICPS-i, and a capital reduction and amalgamation exercise for which the quantum has not been finalised; (ii) Proposed disposal of certain non-core assets and (iii) Proposed acquisition of a business. 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 2019 except as disclosed below:

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As of 1 January 2020, the Group and the Company 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 2020:

- Amendments to MFRS 3 – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statement and MFRS 108, Accounting Policies, Changes Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instrument, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures - Interest Rate Benchmark Reform
- Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between on Investor and its Associate or Joint Venture

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 2019.

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.

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9. SEGMENTAL REPORTING

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

	Financial Period Ended	
	31 March 2020	
Business Segment	Revenue (RM'000)	Profit Before Taxation (RM'000)
Construction Services	18,396	3,799
Offshore Crane Works	438	(1,985)
Holding company & Others	11,832	11
Sub Total	30,666	1,825
Consolidation Adjustment	(11,729)	(46)
Total	18,937	1,779

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

- (a) Encik Suhaimi Bin Badrul Jamil had tendered his resignation on 1 April 2020 to pursue other opportunities and the Board of Directors of the Company had accepted his resignation on 15 April 2020. His last day in office will be 30 June 2020. The Executive Committee (EXCO) of the Company will be overseeing the Company's operations in the interim until a new replacement is identified.
- (b) On 22 April 2020, the Company submitted an application for extension of time to submit the regularisation plan ("EOT Application") to Bursa Malaysia. On 5 June 2020, Bursa Malaysia granted the Company an extension of time of 6 months from 23 April 2020 to 22 October 2020 for the Company to submit the regularisation plan ("EOT Application") to Bursa Malaysia and/or other the relevant regulatory authorities.

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

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12. SIGNIFICANT EVENTS

- (a) On 13 March 2020, the Company had entered into a non-binding memorandum of understanding (“MOU”) with ICE Petroleum Ventures Sdn Bhd (“Vendor”) in relation to the acquisition of 12.9 million ordinary shares in ICE Petroleum Engineering Sdn Bhd (“ICE”), representing the entire equity interest in ICE by the Company from the Vendor (“Proposed acquisition”). ICE is principally engaged in mechanical engineering works and services, plant fabrication and installation for the oil, gas and petrochemical industries. Subject to the outcome of the due diligence exercises currently being undertaken both parties irrevocably confirm and agree to enter into an agreement within 4 months from the date of the MOU or such other extended period to be mutually agreed in writing by the parties (“Term”) within 14 days prior to the expiry of the Term.

The MOU allows the Company and the Vendor to negotiate exclusively and outline the salient terms in relation to a share sale agreement to be entered into between the Company and the Vendor. The Proposed acquisition forms part of the Company’s proposed regularisation plan to regularise its financial condition in efforts to maintain its listing status on the Main Market of Bursa Malaysia.

- (b) The Malaysian Government announced a nationwide Movement Control Order (“MCO”) which took effect between 18 March 2020 and 12 May 2020, to curb the spread of Coronavirus disease 2019 (“COVID-19”). In compliance with the MCO, the Group had temporarily suspended their daily operations. The Group had filed extension of time citing “force majeure” event to both of their main customers. On 7 June 2020, a Recovery MCO (“RMCO”) was announced effective starting 10 June 2020 to 31 August 2020. The RMCO allows the Group to resume their operations under strict controls and restrictions.

13. CHANGES IN THE COMPOSITION OF THE GROUP

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

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Group (RM’000)
Potential liabilities claims by Scheme Creditors	37,522

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.

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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.

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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

Business Segment	Revenue		Profit Before Tax	
	1st Quarter ended 31/3/2020 (RM'000)	1st Quarter ended 31/3/2019 (RM'000)	1st Quarter ended 31/3/2020 (RM'000)	1st Quarter ended 31/3/2019 (RM'000)
Construction Services	18,396	11,494	3,799	5,273
Offshore Crane Works	438	36	(1,985)	(641)
Holding company & Others	11,832	1,729	11	(2,528)
Sub Total	30,666	13,259	1,825	2,104
Consolidation adjustment	(11,729)	(1,729)	(46)	(46)
Total	18,937	11,530	1,779	2,058

The Group recorded higher revenue of RM18.9 million for the current quarter under review as compared to RM11.5 million recorded for the same quarter of the preceding year. The revenue is derived from construction services for Offshore Petrol Vessel (“OPV”) project and fabrication works for Afcons Infrastructure Limited. The increase in revenue was mainly due to the recognition of revenue from the higher fabrication activities from fabrication of piles works activities during the quarter.

The Group recorded a lower profit before tax of RM1.7 million in the current quarter as compared to profit before tax of RM2.0 million in the corresponding quarter of 2019 mainly due to lower interest income received for the current quarter.

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17. REVIEW OF QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Profit Before Tax	
	1st Quarter ended 31/3/2020 (RM'000)	4th Quarter ended 31/12/2019 (RM'000)	1st Quarter ended 31/3/2020 (RM'000)	4th Quarter ended 31/12/2019 (RM'000)
Business Segment				
Construction Services	18,396	21,762	3,799	5,445
Offshore Crane Works	438	299	(1,985)	(528)
Holding company & Others	11,832	11,425	11	(3,564)
Total	30,666	33,486	1,825	1,353
Consolidation adjustment	(11,729)	(11,414)	(46)	141
Total	18,937	22,072	1,779	1,494

For the current quarter under review, the Group recorded revenue of RM18.9 million as compared to revenue of RM22.0 million in the immediate preceding quarter. The decrease is due to a lower contribution from fabrication works for pile project.

The Group recorded an increase in profit before tax of RM1.7 million in the current quarter 2020 as compared to a profit before tax of RM1.4 million for the immediate preceding quarter mainly due to the absence of waiver of debts as part of Scheme of Arrangement exercises and the absence of impairment loss on trade receivable.

18. COMMENTARY ON PROSPECTS

The continued spread of the COVID-19 pandemic may affect the Group's operations and those of third parties on which the Group's relies and the impact of the COVID-19 pandemic is highly uncertain and subject to change. However, these effects would have a material impact on the Group's liquidity, capital resources, operations and business and those of the third parties on which we rely.

The Group expects the results of the Group to be challenging in the following quarter due to the COVID-19 pandemic.

The Group is currently in the negotiation on the corporate proposal in respect of the acquisition of ICE Petroleum Engineering Sdn Bhd's shares from ICE Petroleum Ventures Sdn Bhd. Subject to the satisfactory outcome of the due diligence exercises and upon completion of the Proposed Acquisition, the Group believes that it will enhance the order book of the Group.

Moving forward, the Group will continue to strive hard to pursue business in the domestic and overseas market, where circumstances permit. In addition, the Group will continue to seek and explore potential opportunities for acquisitions and collaborations in order to enhance our profitability.

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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

	1st Quarter ended 31/3/2020 (RM'000)	1st Quarter ended 31/3/2019 (RM'000)	Cummulative period ended 31/3/2020 (RM'000)	Cummulative period ended 31/3/2019 (RM'000)
<u>Tax Expense</u>				
Current year	-	-	-	-
Under provision in prior year	-	-	-	-
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 December 2019.

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 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 subsequent to the end of the financial year, the Company had applied and was granted an extension of time by Bursa Malaysia up to 22 October 2020 to submit the Proposed Regularisation Plan to Bursa Malaysia and/or other relevant regulatory authorities.

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The Proposed Regularisation Plan will primarily comprise the following (i) Proposed capital reconstruction exercise involving the conversion of the existing ICPS-i into ordinary shares, proposed issuance of new ICPS-i, and a capital reduction and amalgamation exercise for which the quantum has not been finalised; (ii) Proposed disposal of certain non-core assets and (iii) Proposed acquisition of a business.

On 13 March 2020, the Company had entered into a non-binding memorandum of understanding (“MOU”) with ICE Petroleum Ventures Sdn Bhd (“Vendor”) in relation to the acquisition of 12.9 million ordinary shares in ICE Petroleum Engineering Sdn Bhd (“ICE”), representing the entire equity interest in ICE by the Company from the Vendor (“Proposed acquisition”). ICE is principally engaged in mechanical engineering works and services, plant fabrication and installation for the oil, gas and petrochemical industries. Subject to the outcome of the due diligence exercises currently being undertaken both parties irrevocably confirm and agree to enter into an agreement within 4 months from the date of the MOU or such other extended period to be mutually agreed in writing by the parties (“Term”) within 14 days prior to the expiry of the Term.

The MOU allows the Company and the Vendor to negotiate exclusively and outline the salient terms in relation to a share sale agreement to be entered into between the Company and the Vendor. The Proposed acquisition forms part of the Company’s proposed regularisation plan to regularise its financial condition in efforts to maintain its listing status on the Main Market of Bursa Malaysia.

(b) Scheme of Arrangement

In 2017, the Company and its two subsidiaries, namely THHE Fabricators Sdn. Bhd. (“THFSB”) and O&G Works Sdn. Bhd. (“OGW”) (“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 the Court Convened Creditors Meeting held in December 2017 and the same were subsequently approved by the High Court on 6 February 2018. Pursuant to the Approved Scheme Companies’ Schemes, the total debts due and owing to the Scheme Creditors will be reduced and settled by way of cash (“Cash Portion”), 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 waived completely. Accordingly, all pending litigation proceedings including all winding up petitions are to be withdrawn or terminated as the debts are deemed to have been compromised under the Schemes. The Approved Scheme Companies are currently in the process of implementing the Schemes and Cash Portion was substantially completed.

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(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	323.3	29.5	8%
Estimated expenses^	1 month	21.2	3.3	17.9	84%
Working capital	6 months	-	35.3	-35.3	NA
		<u>374.0</u>	<u>361.9</u>	<u>12.1</u>	<u>3%</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.

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24. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31 March 2020 (RM'000)	As at 31 December 2019 (RM'000)
<u>Long Term Borrowings</u>		
- Sukuk	40,000	40,000
Sub Total	40,000	40,000
<u>Short Term Borrowings</u>		
- Sukuk	59,200	59,200
- Secured term loan	14,761	14,761
- Bridger loan - secured	10,609	10,609
- Revolving credit facilities - unsecured	14,000	14,000
- Finance lease liabilities	69	89
Sub Total	98,639	98,659
Total borrowings	138,639	138,659

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 31 March 2020.

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 for RM1.00 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.

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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 to 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 GMOS, 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.

Both GMOS's action and THHE's counterclaim are currently fixed for full trial from April 2020 until January 2021. THHE's Solicitors, Izral Partnership, are of the opinion that the chances of a successful defence and proving the counterclaim are good.

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

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

On 21 January 2020, the Dubai Court rendered its judgement against Floatech. The court ruled that Floatech shall pay the sum of USD 6,250,000 equivalent to AED 22,937,500 to DWD without legal or agreeable interests or any other forms of fees that should be charged to the vessel till the date of 30 April 2020. Berthing charges shall be running after the said date.

Floatech does not expect to incur any additional losses arising from the Judgment; save for the legal fees that were incurred, as the amount ruled by the Dubai Court has been accrued for.

(c) **THHE Fabricators Sdn Bhd v Murphy Sarawak Oil Co. Ltd. (Arbitration Proceedings)**

THHE Fabricators Sdn. Bhd. ("THFSB") is claiming a sum of RM112,744,482 pursuant to a Change Order Proposal under the EPCC Contract with Murphy Sarawak Oil Company Limited ("Murphy") made effective on 1 April 2013 ("EPCC Contract") for additional costs incurred by THFSB. The parties are currently in negotiation to reach an amicable settlement.

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26. MATERIAL LITIGATION (CONTINUED)

(d) **Globalmariner Offshore Services Sdn. Bhd. vs TH Heavy Engineering Berhad & Floatech (L) Ltd. (Suit No. WA-22NCVC-150-03/2020, Kuala Lumpur High Court)**

The Company and its subsidiary, Floatech (L) Ltd had received a Writ of Summons and Statement of Claim by GMOS on 4 March 2020 at its registered office as detailed below:

GMOS is claiming from the Company and Floatech and 9 others, jointly and severally, the following:-

- i. RM74,800,000.00;
- ii. A declaration that the approval of the court obtained on 6 February 2018 for the Company's Scheme of Arrangement was by reason of fraud on the court allegedly committed by the Defendants or by the Company;
- iii. An order that the order dated 6 February 2018 granting approval to the Company's Scheme of Arrangement be set aside in its entirety and the consequential orders be given;
- iv. An order that the novation of the JX Nippon Contract from the Company to Yinson Energy Sdn. Bhd. be set aside;
- v. General damages to be assessed pursuant to the alleged Defendants' fraudulent conduct as pleaded in the Statement of Claim;
- vi. Punitive and/or exemplary damages against all the Defendants to be assessed pursuant to the respective defendants' alleged fraudulent conduct as pleaded in the Statement of Claim;
- vii. Aggravated damages to be assessed;
- viii. Interest of 5% per annum on the sum of RM74,800,000.00 from 18 February 2014 until the date of the judgment herein.
- ix. Interest of 5% per annum on the judgment sum from the date of judgement until the date of full realisation of the judgment sum.
- x. Costs.
- xi. Further and other relief as against either or all the Defendants which the Court deems fit and proper.

THHE has appointed a legal firm to act on its behalf. As at 31 May 2020, THHE and Floatech's application to strike out GMOS's claim have been filed. The hearing for the striking out application is fixed on 1 October 2020. Upon consulting its solicitors, THHE and Floatech are of the view that they stand a fair chance of succeeding in their application to strike out GMOS's claim.

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

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28. PROFIT PER SHARE

Earning per share ('EPS')	FIRST QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Financial Period	Preceding Corresponding
	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
Profit/(Loss) for the purpose of basic earnings per share (RM'000)	2,502	2,484	2,502	2,484
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	1,121,351	1,121,237	1,121,351	1,121,237
Basic EPS (sen)	0.22	0.22	0.22	0.22
Adjusted profit/(loss) for the purpose of diluted earnings per share (RM'000)	2,502	2,484	2,502	2,484
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	1,121,351	1,121,237	1,121,351	1,121,237
Conversion of ICPS-i	1,099,726	1,099,805	1,099,726	1,099,805
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	2,221,077	2,221,042	2,221,077	2,221,042
Diluted EPS (sen)	0.11	0.11	0.11	0.11

29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31/3/2020 (RM'000)	Cummulative Period ended 31/3/2020 (RM'000)
Interest income	(60)	(60)
Interest expense	929	929
Depreciation of property, plant of equipment	1,980	1,980
Waiver of debt arising from Scheme of Arrangement	14	14
Unrealised forex loss recognised in Profit & Loss Account	44	44
Realised forex loss	(37)	(37)

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.