

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR 30-Jun-20 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-19 Unaudited RM'000	CURRENT YEAR TO DATE 30-Jun-20 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Jun-19 Unaudited RM'000
Revenue	15,558	11,937	34,495	23,467
Cost of sales	(5,498)	(1,276)	(13,134)	(2,146)
Gross profit	10,060	10,661	21,361	21,321
Other income	388	3,003	452	3,513
Administration expenses	(6,215)	(8,061)	(14,775)	(15,924)
Other operating expenses	(18,596)	(123)	(18,603)	(155)
Operating (loss)/profit	(14,363)	5,480	(11,565)	8,755
Unrealised foreign exchange loss	(268)	(93)	(312)	(111)
Finance cost	(1,201)	(1,151)	(2,130)	(2,303)
Share of loss of equity-accounted associate, net of tax	(10)	(47)	(56)	(94)
(Loss)/profit before taxation	(15,842)	4,189	(14,063)	6,247
Taxation	-	-	-	-
(Loss)/profit after taxation	(15,842)	4,189	(14,063)	6,247
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive (loss)/income for the period	(15,842)	4,189	(14,063)	6,247
(Loss)/profit attributable to:				
Owners of the Company	(15,120)	4,614	(12,618)	7,098
Non-controlling interests	(722)	(425)	(1,445)	(851)
	(15,842)	4,189	(14,063)	6,247
Total comprehensive (loss)/income attributable to:-				
Owners of the Company	(15,120)	4,614	(12,618)	7,098
Non-controlling interests	(722)	(425)	(1,445)	(851)
	(15,842)	4,189	(14,063)	6,247
(Loss)/profit attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic (loss)/profit per share	(1.35)	0.41	(1.13)	0.63
ii) Fully diluted (loss)/profit per share	(0.68)	0.21	(0.57)	0.32
Gross interest income	21	323	81	813
Gross interest expense	1,201	1,151	2,130	2,303

(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 30 JUNE 2020**

	As at 30-Jun-20 Unaudited RM'000	As at 31-Dec-19 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	222,245	226,115
Investment in associate	-	56
Deferred tax assets	1,876	1,876
	224,121	228,047
Current Assets		
Inventories	2	2
Trade and other receivables	50,931	57,192
Prepayments	448	874
Current tax asset	136	43
Cash and cash equivalents	15,961	26,553
	67,478	84,664
	291,599	312,711
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	375,396	375,353
Islamic Irredeemable Convertible Preference Shares ('İCPS-i')	274,902	274,945
Revaluation reserves	46,503	46,503
Currency translation reserves	(50,821)	(50,821)
Accumulated losses	(591,691)	(579,073)
	54,289	66,907
Non-controlling interests	(196,934)	(195,489)
Capital Deficiency	(142,645)	(128,582)
Non Current Liabilities		
Borrowings	40,000	40,007
	40,000	40,007
Current Liabilities		
Trade and other payables	295,805	302,634
Borrowings	98,439	98,652
	394,244	401,286
Total Liabilities	434,244	441,293
TOTAL EQUITY AND LIABILITIES	291,599	312,711
Net assets per share (sen)	5	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 30 JUNE 2020

	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 2020	375,353	274,945	-	46,503	(50,821)	(579,073)	66,907	(195,489)	(128,582)
Conversion of shares	43	(43)	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(12,618)	(12,618)	(1,445)	(14,063)
Total comprehensive income/(loss) for the period	43	(43)	-	-	-	(12,618)	(12,618)	(1,445)	(14,063)
Balance at 30 June 2020	375,396	274,902	-	46,503	(50,821)	(591,691)	54,289	(196,934)	(142,645)

	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)	(596,771)	54,528	(193,022)	(138,494)
Other comprehensive loss for the period	95,029	-	(95,029)	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	7,098	7,098	(851)	6,247
Total comprehensive income for the period	95,029	-	(95,029)	-	-	7,098	7,098	(851)	6,247
Balance at 30 June 2019	375,347	274,951	-	51,822	(50,821)	(589,673)	61,626	(193,873)	(132,247)

(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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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020**

	CUMMULATIVE QUARTER	
	CURRENT	CORRESPONDING
	YEAR TO DATE 30-Jun-20 (RM'000)	PRECEDING YEAR 30-Jun-19 (RM'000)
Cash flows from operating activities		
(Loss)/profit before taxation	(14,063)	6,247
Adjustments for:		
Depreciation of property, plant and equipment	4,540	4,651
Finance costs	2,130	2,303
Finance income	(81)	(813)
Waiver of debt arising from Scheme of Arrangement	-	(2,570)
Inventories written down	-	3
Gain on novation of JX Nippon Contract	56	-
Net loss on foreseeable loss	18,548	-
Share of loss of associate	-	94
Unrealised foreign exchange (gain)/loss	312	111
	11,442	10,026
Operating profit before changes in working capital		
Changes in working capital:		
Inventories	-	(2)
Trade and other receivables	(11,861)	(19,777)
Trade and other payables	(7,811)	2,615
Net cash used in operations	(8,230)	(7,138)
Interests received	81	813
Interests paid	(2,130)	(2,303)
Tax refunded	-	26
Tax paid	(93)	-
Net cash used in operating activities	(10,372)	(8,602)
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	(220)	(74)
Net cash used in financing activities	(220)	(74)
Net change in cash and cash equivalents	(10,592)	(6,834)
Cash and cash equivalents at beginning of period	21,839	59,095
Cash and cash equivalents at end of financial period	11,247	52,261
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	11,238	918
Deposits placed with licensed banks	4,723	51,387
	15,961	52,305
Less: Deposits pledged	(4,714)	(44)
	11,247	52,261

(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 30 June 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 ¹
Amendments to MFRS 101 and MFRS 108	Definition of Material ¹
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards ¹

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:

	Revenue		Profit Before Tax	
	2nd Quarter	2nd Quarter	2nd Quarter	2nd Quarter
	ended	ended	ended	ended
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Business Segment				
Construction Services	15,750	11,918	(13,495)	5,499
Offshore Crane Works	950	19	(1,336)	(603)
Holding company & Others	9,555	1,728	(1,000)	(660)
Sub Total	26,255	13,665	(15,831)	4,236
Consolidation adjustment	(10,697)	(1,728)	(11)	(47)
Total	15,558	11,937	(15,842)	4,189

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 3 July 2020, the Company and Ice Petroleum Ventures Sdn Bhd (“Vendor”) being the parties to the memorandum of understanding (“MOU”) have mutually agreed in writing (“**Mutual Agreement**”) to extend:

- the MOU Term for a period of two (2) months to 13 September 2020 or such extended period as may be mutually agreed between the parties; and
- the period for completion of THHE’s Due Diligence Exercise to 13 September 2020 or such extended period as may be mutually agreed between the parties.

Save for the above, all other terms, conditions and provisions contained in the MOU shall remain unchanged and continue to be in full force and effect. The Company is still in the midst of completing the THHE Due Diligence Exercise.

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. Both parties irrevocably confirm and agree to enter into agreement within 4 months from the date of this 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 4 May 2020, to curb the spread of COVID-19 pandemic. 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 1 May 2020, a conditional MCO (“CMCO”) was announced effective starting 4 May 2020 to 9 June 2020. The CMCO allows the Group and the Company to resume their operations under strict controls and restrictions.

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

- (c) 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.

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

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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	<u>13,000</u>

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 SECOND QUARTER

	Revenue		Profit Before Tax	
	2nd Quarter ended 30/6/2020 (RM'000)	2nd Quarter ended 30/6/2019 (RM'000)	2nd Quarter ended 30/6/2020 (RM'000)	2nd Quarter ended 30/6/2019 (RM'000)
Business Segment				
Construction Services	15,750	11,918	(13,495)	5,499
Offshore Crane Works	950	19	(1,336)	(603)
Holding company & Others	9,555	1,728	(1,000)	(660)
Sub Total	26,255	13,665	(15,831)	4,236
Consolidation adjustment	(10,697)	(1,728)	(11)	(47)
Total	15,558	11,937	(15,842)	4,189

The Group recorded higher revenue of RM15.5 million for the current quarter under review as compared to RM11.9 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 higher fabrication activities from fabrication of piles works activities during the quarter.

The Group recorded a loss before tax of RM15.8 million in the current quarter as compared to profit before tax of RM4.1 million in the corresponding quarter of 2019 as a result of the recognition of foreseeable loss for fabrication works the delay of the projects arising from the lockdown imposed by the Government which requires additional cost.

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17. REVIEW OF QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Profit Before Tax	
	2nd Quarter ended 30/6/2020 (RM'000)	1st Quarter ended 31/3/2020 (RM'000)	2nd Quarter ended 30/6/2020 (RM'000)	1st Quarter ended 31/3/2020 (RM'000)
Business Segment				
Construction Services	15,750	18,396	(13,495)	3,799
Offshore Crane Works	950	438	(1,336)	(1,985)
Holding company & Others	9,555	11,832	(1,000)	11
Total	26,255	30,666	(15,831)	1,825
Consolidation adjustment	(10,697)	(11,729)	(11)	(46)
Total	15,558	18,937	(15,842)	1,779

For the current quarter under review, the Group recorded revenue of RM15.5 million as compared to revenue of RM18.9 million in the immediate preceding quarter. The decrease is due to a lower contribution from fabrication works for Afcons Infrastructure Limited pile project.

The Group recorded loss before tax of RM15.8 million in the current quarter 2020 as compared to a profit before tax of RM1.7 million for the immediate preceding quarter as a result of the recognition of foreseeable loss for fabrication works the delay of the projects arising from the lockdown imposed by the Government which requires additional cost.

18. COMMENTARY ON PROSPECTS

With the partial lifting of the Movement Control Order (“MCO”) in May 2020, the country’s economic activity is expected to gradually recover and improve, supported by the sizeable fiscal and monetary measures provided by the Government.

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.

19. PROFIT FORECAST

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

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20. TAXATION

	2nd Quarter ended 30/6/2020 (RM'000)	2nd Quarter ended 30/6/2019 (RM'000)	Cummulative period ended 30/6/2020 (RM'000)	Cummulative period ended 30/6/2019 (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 financial year 31 December 2019, the Company has applied for an extension of time up to 22 October 2020 to Bursa Malaysia to submit the Proposed Regularisation Plan.

The Proposed Regularisation Plan will 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.

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”).

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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 agreement within 4 months from the date of this 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.

On 3 July 2020, both parties have mutually agreed in writing (‘Mutual Agreement’) to extend:

- (a) the MOU Term for a period of two (2) months to 13 September 2020 or such extended period as may be mutually agreed between the parties; and
- (b) the period for completion of THHE’s Due Diligence Exercise to 13 September 2020 or such extended period as may be mutually agreed between the parties.

Save for the above, all other terms, conditions and provisions contained in the MOU shall remain unchanged and continue to be in full force and effect.

The Company is still in the midst of completing the THHE Due Diligence Exercise.

(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 Court Convened Creditors Meetings held in December 2017 and the same were subsequently approved by the High Court on 6 February 2018.

Pursuant to the Approved Schemes Companies’ Scheme, the total debt due and owing to the Scheme Creditors will be reduced and be 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 completely waived. 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	333.8	19.0	5.4%
Estimated expenses^	1 month	21.2	3.3	17.9	84.4%
Working capital	6 months	-	24.8	(24.8)	NA
		<u>374.0</u>	<u>361.9</u>	<u>12.1</u>	<u>3.2%</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 30 June 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	14,561	14,761
- Bridger loan - secured	10,609	10,609
- Revolving credit facilities - unsecured	14,000	14,000
- Finance lease liabilities	69	89
Sub Total	98,439	98,659
Total borrowings	138,439	138,659

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 30 June 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 THHE and Floatech seeking for, amongst others, specific performance of Clauses 5.4, 8.7, and 8.9 of the Shareholders Agreement dated 18 February 2014, transfer of 8 million ordinary shares in Floatech (L) Ltd ("Floatech") to GMOS at the consideration of RM1.00 (since the Net Tangible Assets of Floatech having been arrested, is purportedly zero in value) and a declaration that THHE is not entitled to sell the FPSO Layang vessel plus damages for breach of Shareholders Agreement ("Original Action").

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26. MATERIAL LITIGATION (CONTINUED)

THHE has claimed against GMOS (in the Counterclaim) for the sum of RM17,974,095, amongst other things. Other amounts claimed by THHE (in the Counterclaim) and by GMOS (in the Main Action) are unliquidated as general damages to be assessed by the Court at a later stage.

THHE and/or Floatech have filed its Re-Amended Defence as well as a THHE's Re-Amended Counterclaim against GMOS and 5 other Defendants on 22 January 2020.

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

(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 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, Dubai Court has rendered its judgement against Floatech. The court ruled that Floatech to 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)**

By way of a Notice of Arbitration dated 27 May 2019, THHE Fabricators Sdn. Bhd. ("THFSB") is claiming a sum of RM112,744,482 from Murphy Sarawak Oil Company Limited ("Murphy") pursuant to a Change Order Proposal under the EPCC Contract made effective on 1 April 2013 ("EPCC Contract") for additional costs incurred by THFSB.

The parties are currently in the midst of carrying out settlement negotiations on a without prejudice basis. The arbitral proceedings at present have been suspended pending the settlement negotiations.

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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)**

In early March 2020, Globalmariner Offshore Services Sdn Bhd (“GMOS”) had initiated this suit against the Company as well as Floatech, a number of past and present directors of the Company, Yinson-related companies and one of its directors, alleging that, amongst others:-

- i. that it was induced into purchasing a 20% stake in Floatech;
- ii. THHE and Floatech created fraudulent accounts to mislead the Court on the viability of THHE’s Scheme of Arrangement in 2018;
- iii. the Defendants conspired to defraud and/or misrepresent the Court and GMOS;
- iv. it was misrepresented that the JX Nippon EPCIC would be novated to Floatech, instead of Yinson; and
- v. THHE had been unjustly enriched as a result of the above.

At present all the defendants to this action has filed their respective striking out applications. The position THHE, Floatech and its past and present directors have taken is that all, if not most, of the allegations raised through GMOS’ claim are either issues that should and could have been raised; or raises issues that have already been raised, ventilated and adjudicated upon by the Court in previous proceedings (KLHC Suit No. WA-22NCVC-588-09/2016 & KLHC OS No. WA-24NCC-42-02/2017) and the ongoing proceedings (KLHC Suit No. WA-22NCC-374-11/2016)

The striking out applications will be heard on 1 October 2020 before Kuala Lumpur High Court.

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

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28. PROFIT/(LOSS) PER SHARE

Earning per share ('EPS')	FIRST QUARTER		CUMULATIVE QUARTER	
	Current Quarter 30-Jun-20	Preceding Year Corresponding Quarter 30-Jun-19	Current Financial Period 30-Jun-20	Preceding Corresponding 30-Jun-19
Profit/(Loss) for the purpose of basic earnings per share (RM'000)	(15,120)	4,614	(12,618)	7,098
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	1,121,471	1,121,237	1,121,471	1,121,237
Basic EPS (sen)	(1.35)	0.41	(1.13)	0.63
Adjusted profit/(loss) for the purpose of diluted earnings per share (RM'000)	(15,120)	4,614	(12,618)	7,098
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	1,121,471	1,121,237	1,121,471	1,121,237
Conversion of ICPS-i	1,099,606	1,099,805	1,099,606	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)	(0.68)	0.21	(0.57)	0.32

29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 30/6/2020 (RM'000)	Cummulative Period ended 30/6/2020 (RM'000)
Interest income	(21)	(81)
Interest expense	1,201	2,130
Depreciation of property, plant of equipment	2,560	4,540
Waiver of debt arising from Scheme of Arrangement	-	14
Unrealised forex loss recognised in Profit & Loss Account	268	312
Foreseeable Loss	18,548	18,548
Realised forex gain	(97)	(134)

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.