

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Dec-20 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-19 Unaudited RM'000	CURRENT YEAR TO DATE 31-Dec-20 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-19 Unaudited RM'000
Revenue	8,137	22,072	61,919	57,556
Cost of sales	(8,513)	(10,715)	(31,976)	(14,173)
Gross (loss)/profit	(376)	11,357	29,943	43,383
Other income	3,847	3,198	4,496	7,191
Administration expenses	(8,436)	(10,856)	(30,740)	(34,616)
Other operating expenses	(40,972)	(2,921)	(59,576)	(3,105)
Operating (loss)/profit	(45,937)	778	(55,877)	12,853
Unrealised foreign exchange gain	1,823	1,917	1,874	1,979
Finance cost	(1,225)	(1,153)	(4,419)	(4,606)
Share of loss of equity-accounted associate, net of tax	-	(48)	(56)	(189)
(Loss)/profit before taxation	(45,339)	1,494	(58,478)	10,037
Taxation	(1,876)	(76)	(1,876)	(125)
(Loss)/profit after taxation	(47,215)	1,418	(60,354)	9,912
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive (loss)/income for the period	(47,215)	1,418	(60,354)	9,912
(Loss)/profit attributable to:				
Owners of the Company	(45,317)	2,612	(56,285)	12,379
Non-controlling interests	(1,898)	(1,194)	(4,069)	(2,467)
	(47,215)	1,418	(60,354)	9,912
Total comprehensive (loss)/income attributable to:-				
Owners of the Company	(45,317)	2,612	(56,285)	12,379
Non-controlling interests	(1,898)	(1,194)	(4,069)	(2,467)
	(47,215)	1,418	(60,354)	9,912
(Loss)/profit attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic profit/(loss) per share	(2.04)	0.23	(2.53)	1.10
ii) Fully diluted profit/(loss) per share	(2.04)	0.12	(2.53)	0.56
Gross interest income	96	88	189	1,070
Gross interest expense	1,225	1,153	4,419	4,606

(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 DECEMBER 2020**

	As at 31-Dec-20 Unaudited RM'000	As at 31-Dec-19 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	206,582	226,115
Investment in associate	-	56
Deferred tax assets	-	1,876
	206,582	228,047
Current Assets		
Inventories	2	2
Trade and other receivables	25,905	57,192
Prepayments	386	874
Current tax asset	221	43
Cash and cash equivalents	27,479	26,553
	53,993	84,664
TOTAL ASSETS	260,575	312,711
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	650,298	375,353
Islamic Irredeemable Convertible Preference Shares ('İCPS-i')	-	274,945
Revaluation reserves	40,994	46,503
Currency translation reserves	(50,821)	(50,821)
Accumulated losses	(629,849)	(579,073)
	10,622	66,907
Non-controlling interests	(199,558)	(195,489)
Capital Deficiency	(188,936)	(128,582)
Non Current Liabilities		
Borrowings	61,400	40,007
	61,400	40,007
Current Liabilities		
Trade and other payables	284,685	302,634
Borrowings	103,426	98,652
	388,111	401,286
Total Liabilities	449,511	441,293
TOTAL EQUITY AND LIABILITIES	260,575	312,711
Net assets per share (sen)	0.48	5.97

(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 DECEMBER 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)
Other comprehensive loss for the period	-	-	-	-	-	(56,285)	(56,285)	(4,069)	(60,354)
Total comprehensive loss for the period	-	-	-	-	-	(56,285)	(56,285)	(4,069)	(60,354)
Conversion of shares	274,945	(274,945)	-	-	-	-	-	-	-
Realisation of revaluation reserves	-	-	-	(5,509)	-	5,509	-	-	-
Total transaction with owners of the Company	274,945	(274,945)	-	(5,509)	-	5,509	-	-	-
Balance at 31 December 2020	650,298	-	-	40,994	(50,821)	(629,849)	10,622	(199,558)	(188,936)

	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	-	-	-	-	-	12,379	12,379	(2,467)	9,912
Total comprehensive income for the period	-	-	-	-	-	12,379	12,379	(2,467)	9,912
Conversion of shares	6	(6)	-	-	-	-	-	-	-
Realisation of revaluation reserves	-	-	-	(5,319)	-	5,319	-	-	-
Credit arising from share premium reduction	95,029	-	(95,029)	-	-	-	-	-	-
Total transaction with owners of the Company	95,035	(6)	(95,029)	(5,319)	-	5,319	-	-	-
Balance at 31 December 2019	375,353	274,945	-	46,503	(50,821)	(579,073)	66,907	(195,489)	(128,582)

(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

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

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

	CUMMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31-Dec-20 (RM'000)	CORRESPONDING PRECEDING YEAR 31-Dec-19 (RM'000)
Cash flows from operating activities		
(Loss)/profit before taxation	(58,478)	10,037
Adjustments for:		
Depreciation of property, plant and equipment	7,842	9,239
Impairment loss on trade receivables	6,359	2,097
Impairment loss on amount due from customer	22,471	-
Impairment loss on property, plant and equipment	11,885	-
Impairment loss on investment in associate	179	-
Finance costs	4,419	4,606
Finance income	(189)	(1,070)
Waiver of debt arising from Scheme of Arrangement	(3,476)	(4,884)
Property, plant and equipment written off	-	51
Inventories written down	-	55
Reversal of impairment loss on:		
- Trade receivables	189	(330)
Foreseeable loss from contract works	18,548	-
Share of loss of associate	56	189
Share of loss of joint venture	-	-
Unrealised foreign exchange (gain)/loss	(1,874)	(1,979)
Operating profit before changes in working capital	7,931	18,011
Changes in working capital:		
Inventories	-	(25)
Trade and other receivables	(15,971)	(16,850)
Trade and other payables	(18,390)	(21,207)
Net cash used in operations	(26,430)	(20,071)
Interests received	189	1,070
Interests paid	1,178	(4,916)
Tax refunded	-	68
Tax paid	(178)	(169)
Net cash used in operating activities	(25,241)	(24,018)
Cash flows used in investing activities		
Acquisition of property, plant and equipment	-	(58)
Decrease in pledged deposits placed with licensed banks	-	(2,827)
Net cash from investing activities	-	(2,885)
Cash flows used in financing activities		
Proceeds from other borrowings, net	41,400	-
Repayment of loans and borrowings, net	(15,233)	(10,352)
Net cash used in financing activities	26,167	(10,352)
Net change in cash and cash equivalents	926	(37,255)
Cash and cash equivalents at beginning of period	21,840	59,095
Cash and cash equivalents at end of financial period	22,766	21,840
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	22,256	15,870
Deposits placed with licensed banks	5,223	10,683
	27,479	26,553
Less: Deposits pledged	(4,713)	(4,713)
	22,766	21,840

(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

Registration No. 200301032354 (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 December 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:

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)
(Incorporated in Malaysia)

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

During the year, the issued and paid-up ordinary share capital of the Company increased by RM275 million by way of conversion of 1,099 million Irredeemable Convertible Preference Shares-I ('ICPS-I') of RM0.25 each to ordinary shares of RM0.25 each.

There were no issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities:

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)
(Incorporated in Malaysia)

8. DIVIDENDS PAID

There were no dividends paid during the current financial period.

9. SEGMENTAL REPORTING

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

	Financial Period Ended	
	31 December 2020	
	Revenue	Profit Before
	(RM'000)	Taxation
		(RM'000)
Business Segment		
Construction Services	60,945	(38,898)
Offshore Crane Works	2,505	(972)
Holding company & Others	26,884	(18,731)
Sub Total	90,334	(58,601)
Consolidation Adjustment	(28,415)	123
Total	61,919	(58,478)

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

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

11. SUBSEQUENT EVENTS

There were no other subsequent events during the quarter under review.

12. SIGNIFICANT EVENTS

- (a) On 22 October 2020, the Company submitted an application for extension of time to submit the regularisation plan (“**EOT Application**”) to Bursa Malaysia. On 19 November 2020, Bursa Malaysia granted the Company an extension of time of 6 months from 23 October 2020 to 22 April 2021 for the Company to submit the regularisation plan (“**EOT Application**”) to Bursa Malaysia and/or other relevant regulatory authorities.
- (b) 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.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

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, 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:

- (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.

On 14 September 2020, the Company and the Vendor, being the parties to the non-binding MOU, have mutually agreed in writing (“**Mutual Agreement 2**”) to the following:

- (a) to further extend the MOU Term to 13 December 2020 or such extended period as may be mutually agreed between the parties;
- (b) to extend the period for completion of THHE’s Due Diligence Exercise to 13 December 2020 or such extended period as may be mutually agreed between the parties; and
- (c) that the MOU is non-exclusive and the parties shall deal non-exclusively with each other.

Further, as detailed in the Mutual Agreement 2, ICE is undergoing an internal reorganisation. As such, the Proposed Acquisition may entail the acquisition of the ordinary shares in ICE or shares of any other subsidiary of the Vendor which is holding the business and assets. 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.

At the current juncture, the parties are in the midst of discussing the structure of the Proposed Acquisition and the Company is still in the midst of completing the THHE’s Due Diligence Exercise. Save and except of the abovementioned, there is no other material development on the status of the MOU as of the date of this announcement.

On 21 December 2020, the Company and Ice Petroleum Ventures Sdn Bhd (“Vendor”), being the parties to the non-binding MOU, have mutually decided not to extend the MOU. As such, the MOU shall lapse and shall have no further force or effect and neither party shall have any claim whatsoever against the other, whether directly or indirectly in respect of the MOU. The Parties intend to resume discussion at a later date should there be any development.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

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	27,031

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.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (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 FOURTH QUARTER

	Revenue		Profit Before Tax	
	4th Quarter ended 31/12/2020 (RM'000)	4th Quarter ended 31/12/2019 (RM'000)	4th Quarter ended 31/12/2020 (RM'000)	4th Quarter ended 31/12/2019 (RM'000)
Business Segment				
Construction Services	7,800	21,762	(31,517)	5,445
Offshore Crane Works	295	299	4,093	(528)
Holding company & Others	7,542	11,425	(18,095)	(3,564)
Sub Total	15,637	33,486	(45,519)	1,353
Consolidation adjustment	(7,500)	(11,414)	180	141
Total	8,137	22,072	(45,339)	1,494

The Group recorded lower revenue of RM8.1 million for the current quarter under review as compared to RM22.0 million recorded for the same quarter of the preceding year. The revenue is derived from fabrication works for Afcons Infrastructure Limited. The decrease in revenue is due to the lower fabrication activities and most of the project at the tail end.

The Group recorded a loss before tax of RM45.3 million in the current quarter as compared to profit before tax of RM1.4 million in the corresponding quarter of 2019 mainly due to impairment loss of amount due from contract customer of RM22.5 million, impairment loss of trade receivables of RM6.4 million and impairment loss on property, plant and equipment of RM11.8 million.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)
(Incorporated in Malaysia)

17. REVIEW OF QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Profit Before Tax	
	4th Quarter ended 31/12/2020 (RM'000)	3rd Quarter ended 30/9/2020 (RM'000)	4th Quarter ended 31/12/2020 (RM'000)	3rd Quarter ended 30/9/2020 (RM'000)
Business Segment				
Construction Services	7,800	18,999	(31,517)	2,315
Offshore Crane Works	295	822	4,093	(1,744)
Holding company & Others	7,542	15,184	(18,095)	353
Total	15,637	35,005	(45,519)	924
Consolidation adjustment	(7,500)	(15,718)	180	-
Total	8,137	19,287	(45,339)	924

For the current quarter under review, the Group recorded revenue of RM8.1 million as compared to revenue of RM19.2 million in the immediate preceding quarter. The decrease in revenue is due to the lower fabrication activities and most of the project at the tail end.

The Group recorded loss before tax of RM45.3 million in the current quarter 2020 as compared to a profit before tax of RM0.9 million for the immediate preceding quarter mainly due to impairment loss of amount due from contract customer of RM22.5 million, impairment loss of trade receivables of RM6.4 million and impairment loss on property, plant and equipment of RM11.8 million.

18. COMMENTARY ON PROSPECTS

The current global economic activity is expected to gradually recover and improve, supported by the sizeable fiscal and monetary measures provided Governments worldwide. The Board is cautiously optimistic in the Group's ability but anticipate that the fabrication business to remain challenging in view of the present competitive environment. With its current exposure and experience in the marine sector, the Group has expanded into ship repair and ship building activities and also plans to expand into the refurbishment and maintenance works and non-oil and gas related fabrication works. This initiative enables us to broaden our product and service offering.

The demand and long-term outlook for the oil and gas industry remains uncertain, with the emergence of new alternative energy sources and a lower financial institutions risk appetite towards the sector even though oil prices have increased steadily recently. The Board is of the view that with unstable oil prices, uncertain geopolitical conditions and the disruption of the global trade chain caused by Covid-19 pandemic will bring higher downside risks. With uncertainties in the speed of recovery, oil and gas companies have remained conservative in their capex investment decisions. We nevertheless will continue to seek and identify pockets of opportunities that would generate profitability for our business.

Moving forward, the Group will continue to leverage on its competitive strengths to achieve satisfactory performance in the coming financial year. In addition, the Group will continue to seek and explore potential opportunities for acquisitions and collaborations in order to enhance our profitability.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)
(Incorporated in Malaysia)

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

	4th Quarter ended 31/12/2020 (RM'000)	4th Quarter ended 31/12/2019 (RM'000)	Cummulative period ended 31/12/2020 (RM'000)	Cummulative period ended 31/12/2019 (RM'000)
<u>Tax Expense</u>				
Current year	(1,876)	(76)	(1,876)	(76)
Under provision in prior year	-	-	-	(49)
Total Tax Expenses	(1,876)	(76)	(1,876)	(125)

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 2020.

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 to Bursa Malaysia and the Company has been granted extension of time for six (6) months to 22 April 2021 by 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.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)
(Incorporated in Malaysia)

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 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.

On 14 September 2020, the Company and the Vendor, being the parties to the non-binding MOU, have mutually agreed in writing (“**Mutual Agreement 2**”) to the following:

- (a) to further extend the MOU Term to 13 December 2020 or such extended period as may be mutually agreed between the parties;
- (b) to extend the period for completion of THHE’s Due Diligence Exercise to 13 December 2020 or such extended period as may be mutually agreed between the parties; and
- (c) that the MOU is non-exclusive and the parties shall deal non-exclusively with each other.

Further, as detailed in the Mutual Agreement 2, ICE is undergoing an internal reorganisation. As such, the Proposed Acquisition may entail the acquisition of the ordinary shares in ICE or shares of any other subsidiary of the Vendor which is holding the business and assets.

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.

At the current juncture, the parties are in the midst of discussing the structure of the Proposed Acquisition and the Company is still in the midst of completing the THHE’s Due Diligence Exercise. Save and except of the abovementioned, there is no other material development on the status of the MOU as of the date of this announcement.

On 21 December 2020, the Company and Ice Petroleum Ventures Sdn Bhd (“Vendor”), being the parties to the non-binding MOU, have mutually decided not to extend the MOU.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)
(Incorporated in Malaysia)

As such, the MOU shall lapse and shall have no further force or effect and neither party shall have any claim whatsoever against the other, whether directly or indirectly in respect of the MOU. The Parties intend to resume discussion at a later date should there be any development.

The Group is also looking and exploring on other asset acquisition with sustainable and viable business to regularise the financial conditions of the Group and immediately enhance the order book of the Group.

(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.

(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	353.0	326.0	27.0	8%
Estimated expenses^	1 month	21.0	3.3	17.7	84%
Working capital	6 months	-	44.7	(44.7)	NA
		<u>374.0</u>	<u>374.0</u>	<u>-</u>	<u>0%</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;

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

(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.

24. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31 December 2020 (RM'000)	As at 31 December 2019 (RM'000)
<i>Long Term Borrowings</i>		
- Sukuk	20,000	40,000
- Secured term loan	41,400	-
Sub Total	61,400	40,000
<i>Short Term Borrowings</i>		
- Sukuk	64,200	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	56	89
Sub Total	103,426	98,659
Total borrowings	164,826	138,659

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

26. MATERIAL LITIGATION (CONTINUED)

- (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”).

THHE has claimed against GMOS and 5 others (through a Counterclaim) for amongst others, the sum of RM17,974,095. 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.

The trial of both GMOS’ action and THHE’s counterclaim are scheduled to recommence in June 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 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.

Dubai Execution Court has scheduled the hearing of 12 October 2020 as the first hearing of the bidding the vessel

On 15 October 2020, DWD local counsel informed that the execution judge has not issued any decision and requested DWD to re-attach/archive on the court system the following documents: (1) the marine expert report related to the case (who determined the value of the vessel); and (2) the minutes of the executory arrest prepared by the Court executive officer. Accordingly, DWD submitted an application to re-attach/archive the same documents on the Court system.

The execution judge has ordered that a notice to be carried out on Floatech prior to scheduling a hearing to order sale of the vessel. The notice was served to Floatech’s counsel on 10 November 2020.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)
(Incorporated in Malaysia)

26. MATERIAL LITIGATION (CONTINUED)

The vessel was posted for auction at Emirates Auction's website on 15 December 2020 and the bidding session ended on 27 December 2020. As there were no bidders interested in participating in the first auction, the Dubai Court decided to reduce the floor price of the vessel by 10% from the floor price of AED 32,897,219 and to re-auction the vessel.

The Court had on 9 March 2021 reduced the floor price to AED 27,702,922 representing reduction by 20% and on 24 March 2021 ordered for the vessel to be re-auctioned again as there were no bidders in the earlier auctions. The Court also ordered a reduction of the vessel price by 25% to become AED25,971,489.

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") (now known as PTTEP SARAWAK OIL LIMITED ("PTTEP")). pursuant to a Change Order Proposal under the EPCC Contract made effective on 1 April 2013 ("EPCC Contract") for additional costs incurred by THFSB.

On 27 January 2021, both THFSB and PTTEP have reached an amicable out-of-court settlement through a Settlement Agreement dated 27 January 2021. With this settlement, THFSB will be able to bring to an end the long outstanding dispute with PTTEP. The Company has recognised an impairment loss for the amount due from contract customer of approximately RM22 million.

The settlement is expected to have a negative impact on the earnings and net tangible asset of THHE for the financial year ended 31 December 2020.

(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.

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

26. MATERIAL LITIGATION (CONTINUED)

At present all the defendants to this action have 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's claim are either issues that should and could have been raised or are 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 Court's decision on the striking out applications has been fixed on 31 March 2021.

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

28. PROFIT/(LOSS) PER SHARE

Earning per share ('EPS')	FOURTH QUARTER		CUMULATIVE QUARTER	
	Current Quarter 31-Dec-20	Preceding Year Corresponding Quarter 31-Dec-19	Current Financial Period 31-Dec-20	Preceding Corresponding 31-Dec-19
Profit/(Loss) for the purpose of basic earnings per share (RM'000)	(45,317)	2,612	(56,285)	12,379
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	2,221,077	1,121,351	2,221,077	1,121,351
Basic EPS (sen)	(2.04)	0.23	(2.53)	1.10
Adjusted profit/(loss) for the purpose of diluted earnings per share (RM'000)	(45,317)	2,612	(56,285)	12,379
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	2,221,077	1,121,351	2,221,077	1,121,351
Conversion of ICPS-i	-	1,099,726	-	1,099,726
Weighted average number of ordinary shares for the purpose of diluted earnings share (No.'000)	2,221,077	2,221,077	2,221,077	2,221,077
Diluted EPS (sen)	(2.04)	0.12	(2.53)	0.56

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31/12/2020 (RM'000)	Cummulative Period ended 31/12/2020 (RM'000)
Interest income	(96)	(189)
Interest expense	1,225	4,419
Impairment of receivables	6,359	6,359
Impairment of amount due from customer	22,471	22,471
Impairment of property, plant and equipment	11,885	11,885
Impairment loss on investment in associate	179	179
Depreciation of property, plant of equipment	674	7,842
Waiver of debt arising from Scheme of Arrangement	(3,490)	(3,476)
Unrealised forex gain recognised in Profit & Loss Account	(1,823)	(1,874)
Foreseeable Loss	-	18,548
Realised forex loss	338	53

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.