TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-Dec-21 Unaudited RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-Dec-20 Unaudited RM'000	CURRENT YEAR TO DATE 31-Dec-21 Unaudited RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31-Dec-20 Unaudited RM'000
Revenue	**2,106**	**8,137**	**9,356**	**61,919**
Cost of sales	(4,208)	**(8,513)**	(10,508)	(31,976)
Gross profit/(loss)	**(2,102)**	**(376)**	**(1,152)**	**29,943**
Other income	8,507	3,847	22,815	4,496
Administration expenses	(6,353)	(8,436)	(25,054)	(30,740)
Other operating expenses	(5,050)	(40,972)	(5,299)	(59,576)
Operating loss	**(4,998)**	**(45,937)**	**(8,690)**	**(55,877)**
Unrealised foreign exchange (loss)/profit	(3,437)	1,823	(3,500)	1,874
Finance cost	(1,592)	(1,225)	(4,003)	(4,419)
Share of loss of equity-accounted associate, net of tax	-	-	-	(56)
Loss before taxation	**(10,027)**	**(45,339)**	**(16,193)**	**(58,478)**
Taxation	-	(1,876)	-	(1,876)
Loss after taxation	**(10,027)**	**(47,215)**	**(16,193)**	**(60,354)**
Other comprehensive loss for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	**(10,027)**	**(47,215)**	**(16,193)**	**(60,354)**
Loss attributable to:				
Owners of the Company	(9,992)	(45,317)	(15,786)	(56,285)
Non-controlling interests	(35)	(1,898)	(407)	(4,069)
	(10,027)	**(47,215)**	**(16,193)**	**(60,354)**
Total comprehensive loss attributable to:-				
Owners of the Company	(9,992)	(45,317)	(15,786)	(56,285)
Non-controlling interests	(35)	(1,898)	(407)	(4,069)
	(10,027)	**(47,215)**	**(16,193)**	**(60,354)**
Loss attributable to shareholders of the Company				
	sen	sen	sen	sen
i) Basic loss per share	(0.45)	(2.04)	(0.71)	(2.53)
ii) Fully diluted loss per share	(0.45)	(2.04)	(0.71)	(2.53)
Gross interest income	81	96	458	189
Gross interest expense	1,592	1,225	4,003	4,419

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020)

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 DECEMBER 2021

	As at 31-Dec-21 Unaudited RM'000	As at 31-Dec-20 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	166,649	206,582
	166,649	**206,582**
Current Assets		
Inventories	-	2
Trade and other receivables	38,044	35,741
Prepayments	365	528
Current tax asset	300	145
Cash and cash equivalents	11,122	27,479
	49,831	**63,895**
TOTAL ASSETS	**216,480**	**270,477**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	650,298	650,298
Revaluation reserves	41,184	41,184
Currency translation reserves	(50,821)	(50,821)
Accumulated losses	(645,825)	(630,039)
	(5,164)	10,622
Non-controlling interests	(199,965)	(199,558)
Capital Deficiency	**(205,129)**	**(188,936)**
Non Current Liabilities		
Borrowings	-	61,400
	-	**61,400**
Current Liabilities		
Trade and other payables	269,739	294,587
Borrowings	151,870	103,426
	421,609	**398,013**
Total Liabilities	**421,609**	**459,413**
TOTAL EQUITY AND LIABILITIES	**216,480**	**270,477**
Net assets per share (sen)	**(0.23)**	**0.48**

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020)

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 2021

	Share Capital (RM'000)	ICPS-i (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 2021	**650,298**	**-**	**41,184**	**(50,821)**	**(630,039)**	10,622	**(199,558)**	(188,936)
Other comprehensive profit for the period								
Loss for the period	-	-	-	-	(15,786)	(15,786)	(407)	(16,193)
Balance at 31 December 2021	**650,298**	**-**	**41,184**	**(50,821)**	**(645,825)**	**(5,164)**	**(199,965)**	**(205,129)**

	Share Capital (RM'000)	ICPS-i (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 profit for the period								
Conversion of shares	274,945	(274,945)	-	-	-	-	-	-
Realisation of revaluation reserves	-	-	(5,319)	-	5,319	-	-	-
Loss for the period	-	-	-	-	(56,285)	(56,285)	(4,069)	(60,354)
Total comprehensive income for the period	**274,945**	**(274,945)**	**(5,319)**	**-**	**(50,966)**	**(56,285)**	**(4,069)**	**(60,354)**
Balance at 31 December 2020	**650,298**	**-**	**41,184**	**(50,821)**	**(630,039)**	**10,622**	**(199,558)**	**(188,936)**

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020)

TH HEAVY ENGINEERING BERHAD

Registration No. 200301032354 (634775-D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2021

	FOR THE PERIOD ENDED 31 DECEMBER 2(	
	CUMMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31-Dec-21	CORRESPONDING PRECEDING YEAR 31-Dec-20
	(RM'000)	(RM'000)
Cash flows from operating activities		
Loss before taxation	(16,193)	(58,478)
Adjustments for:		
Depreciation of property,plant and equipment	5,937	7,842
Gain on disposal of property, plant and equipment	(13,314)	-
Impairment loss on trade receivables	4,349	1,739
Impairment loss on amount due from customer	-	22,471
Impairment loss on property, plant and equipment	1,033	11,885
Impairment loss on investment in associate	-	4,620
Finance costs	4,003	4,419
Finance income	(458)	(189)
Waiver of debt arising from Scheme of Arrangement	(210)	(3,476)
Reversal of impairment loss on:	-	-
- Trade receivables	-	(477)
Foreseeble loss from contract works	(7,511)	18,548
Share of loss of associate	-	56
Unrealised foreign exchange loss	3,500	(1,874)
Operating (loss)/profit before changes in working capital	(18,864)	7,086
Changes in working capital:		
Trade and other receivables	(6,489)	(6,592)
Trade and other payables	(16,139)	(20,022)
Net cash used in operations	(41,490)	(19,528)
Interests received	458	189
Interests paid	(4,003)	(5,606)
Tax paid	(155)	(102)
Net cash used in operating activities	(45,190)	(25,047)
Cash flows from in investing activities		
Acquisition of property, plant and equipment	-	(203)
Increase/(decrease) in pledged deposits placed with licensed banks	2,267	-
Proceeds from disposal of property, plant and equipment	41,789	-
Net cash from investing activities	44,056	(203)
Cash flows used in financing activities		
Proceeds from other borrowings, net	-	41,400
Repayment of loans and borrowings, net	(12,956)	(15,233)
Net cash used in financing activities	(12,956)	26,167
Net change in cash and cash equivalents	**(14,090)**	**917**
Effect of exchange rate translation	-	-
Cash and cash equivalents at beginning of period	22,766	21,839
Cash and cash equivalents at end of financial period	**8,676**	**22,756**
Cash and cash equivalent at end of the period comprise the followings:-		
Cash and bank balances	6,077	22,256
Deposits placed with licensed banks	5,045	5,223
	11,122	27,479
Less: Deposits pledged	(2,446)	(4,723)
	8,676	**22,756**

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020)

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 2021

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 2020. 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 2020.

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 2020 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. However, the financial statements of the Group have been prepared on a going concern basis.

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 Proposed Regularisation Plan will primarily comprise the following (i) Proposed capital reconstruction exercise involving the proposed issuance of new ICPS-i, and a capital reduction and amalgamation exercise for which the quantum has not been finalised (ii) Proposed acquisition of a subsidiary and/or asset which will be identified later. 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 2020 except as disclosed below:

As of 1 January 2021, 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 2021:

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020

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 2020.

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 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.

9. SEGMENTAL REPORTING

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

	Financial Period Ended 31 December 2021	
	Revenue (RM'000)	**Loss Before Taxation (RM'000)**
Business Segment		
Construction Services	8,964	(7,500)
Offshore Crane Works	358	(1,393)
Holding company & Others	12,976	(7,300)
Sub Total	**22,298**	**(16,193)**
Consolidation Adjustment	(12,942)	-
Total	**9,356**	**(16,193)**

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) On 19 January 2022, the Company had entered into a memorandum of understanding ("**MOU**") with OHP Ventures Sdn. Bhd. ("**OHP**"), in relation to explore opportunities within the Renewable Energy space via the injection of OHP renewable assets which mainly consist of hydropower plant development projects in Malaysia.

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

12. SIGNIFICANT EVENTS

(a) On 22 October 2021, the Company submitted an application for extension of time to submit the regularisation plan ("EOT Application") to Bursa Malaysia Securities Berhad ("Bursa Securities"). The EOT Application is subject to Bursa Securities approval.

On 1 December 2021, Bursa Securities had via its letter on even date, decided to reject the application for an extension of time for the submission of the regularisation plan.

Subsequently, on 9 December 2021, the Company submitted an appeal to Bursa Securities on its decision to delist the securities of the Company and to reconsider its decision to grant a further extension of time for the Company to submit the regularisation plan. As at the date of this announcement, the appeal application for de-listing and further extension of time for the Company to submit the regularisation plan is still being processed by Bursa Securities.

(b) On 7 December 2021, the Company had entered into a memorandum of understanding ("**MOU**") with Apo Integrated Services Sdn Bhd ("**APO-IS**"), an exclusive representative of Liren Marine Technology Co. Ltd ("**LIREN**"), in relation to a collaboration with THHE via a joint venture ("**Joint Venture**") to jointly bid for the construction of eight (8) units of Royal Malaysian Navy's Second Batch Littoral Mission Ship (**"Project**").

(c) On 7 December 2021, the Company had entered into a memorandum of understanding ("**MOU**") with MTD Capital Berhad ("**MTD**") in relation to a potential collaboration via a joint venture (hereinafter referred to as the "**Joint Venture**") to secure potential projects which may be awarded to either party (hereinafter referred to as the "**Project**").

(d) On 28 January 2022, the Company proposes to undertake the following proposals to regularise the its financial position:

(i) proposed share capital restructuring comprising:

(a) proposed reduction of the issued share capital of THHE pursuant to Section 116 of the Companies Act 2016 ("**Proposed Share Capital Reduction**"); and

(b) proposed consolidation of every 4 existing ordinary shares in THHE ("**THHE Shares(s)"**) or **"Share(s)**") into 1 THHE Share ("**Proposed Share Consolidation**");
(collectively referred to as "**Proposed Share Capital Restructuring**")

(ii) proposed conversion of a debt owing to Urusharta Jamaah Sdn Bhd amounting to RM42,389,063 to be capitalised into 176,621,095 new THHE Shares ("**Debt Conversion Share(s)**") at an issue price of RM0.24 per Debt Conversion Share ("**Proposed Debt Conversion**");

(iii) proposed private placement of 209,000,000 new THHE Shares ("**Placement Share(s)**"), representing 14.63% of the enlarged share capital of THHE at an issue price of RM0.24 per Placement Share ("**Proposed Private Placement**");

(iv) proposed issuance of up to 487,500,000 new islamic irredeemable convertible preference shares in THHE ("**ICPS-i**") at an issue price of RM0.24 per ICPS-i to the secured and unsecured creditors of THHE and its subsidiaries pursuant to the scheme of arrangements ("**Proposed Issuance of ICPS-i**"); and

(v) proposed amendments to the constitution of THHE to facilitate the issuance of the ICPS-i pursuant to the Proposed Issuance of ICPS-i ("**Proposed Amendments**").

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
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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 THIRD QUARTER

	Revenue		Loss Before Tax	
	4th Quarter ended 31/12/2021 (RM'000)	4th Quarter ended 31/12/2020 (RM'000)	4th Quarter ended 31/12/2021 (RM'000)	4th Quarter ended 31/12/2020 (RM'000)
Business Segment				
Construction Services	5,662	7,800	(3,630)	(31,517)
Offshore Crane Works	18	295	(602)	4,093
Holding company & Others	1,675	7,542	(5,795)	(18,095)
Sub Total	**7,355**	**15,637**	**(10,027)**	**(45,519)**
Consolidation adjustment	(5,249)	(7,500)	-	180
Total	**2,106**	**8,137**	**(10,027)**	**(45,339)**

The Group recorded lower revenue of RM2.1 million for the current quarter under review as compared to RM8.1 million recorded for the same quarter of the preceding year. 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 RM10.0 million in the current quarter as compared to loss before tax of RM45.3 million in the corresponding quarter of 2020. This was due to the lower impairment loss of trade receivable and impairment loss on property, plant and equipment during the quarter.

17. REVIEW OF QUARTERLY RESULTS AGAINST IMMEDIATE PRECEDING QUARTER

	Revenue		Loss Before Tax	
	4th Quarter ended 31/12/2021 (RM'000)	3rd Quarter ended 30/09/2021 (RM'000)	4th Quarter ended 31/12/2021 (RM'000)	3rd Quarter ended 30/09/2021 (RM'000)
Business Segment				
Construction Services	5,662	-	(3,630)	(3,241)
Offshore Crane Works	18	16	(602)	141
Holding company & Others	1,675	4,193	(5,795)	1,745
Total	**7,355**	**4,209**	**(10,027)**	**(1,355)**
Consolidation adjustment	(5,249)	(2,674)	-	-
Total	**2,106**	**1,535**	**(10,027)**	**(1,355)**

For the current quarter under review, the Group recorded revenue of RM2.1 million as compared to revenue of RM1.5 million in the immediate preceding quarter. The increase in revenue is due to claim for optional scope from fabrication works for Afcons Infrastructure Limited pile project.

The Group recorded higher loss before tax of RM10.0 million in the current quarter 2021 as compared to a loss before tax of RM1.3 million for the immediate preceding quarter mainly due to impairment loss of trade receivable of RM4.3 million, impairment loss on property, plant and equipment of RM1.1 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, although lately crude oil price has risen to around USD90 per barrel, 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.

The Proposed Acquisition of TDSB is in line with the Group's intention to grow its maritime business. The Proposed Acquisition of TDSB would allow the Group to further strengthen its technical capabilities and track record.

With the securing of KM Bagan Datuk project by THFSB, this would enable the Group in a better position to bid for more ship building and ship repair projects with other Government Agencies in the future.

The Group intends to seize the shipbuilding and maintenance, repair and overhaul ("MRO") opportunities from small to medium sized vessels in Malaysia by fulfilling the fleet modernization and MRO requirements of maritime agencies of the Government of Malaysia, such as the MMEA the Marine Department, the Royal Malaysia Customs, the Eastern Sabah Security Command ("ESSCOM") and the Royal Malaysia Navy ("RMN").

The Group also anticipate to finalise all the memorandums of understanding entered into during the year and subsequent to year end in the coming quarters.

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.

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

	3rd Quarter ended 30/9/2021 (RM'000)	3rd Quarter ended 30/9/2020 (RM'000)	Cummulative period ended 30/9/2021 (RM'000)	Cummulative period ended 30/9/2020 (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 2021.

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 Securities"). 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. The Company have submitted an application for extension of time to submit the regularisation plan ("**EOT Application**") to Bursa Malaysia. The EOT Application is subject to Bursa Malaysia's approval.

On 1 December 2021, Bursa Securities had via its letter on even date, decided to reject the application for an extension of time for the submission of the regularisation plan.

Subsequently, on 9 December 2021, the Company submitted an appeal to Bursa Securities on its decision to delist the securities of the Company and to reconsider its decision to grant a further extension of time for the Company to submit the regularisation plan. As at the date of this announcement, the appeal application for de-listing and further extension of time for the Company to submit the regularisation plan is still being processed by Bursa Securities.

On 28 January 2022, the Company proposed to undertake the following proposals to regularise the its financial position:

(i) proposed share capital restructuring comprising:

(a) proposed reduction of the issued share capital of THHE pursuant to Section 116 of the Companies Act 2016 ("**Proposed Share Capital Reduction**"); and

(b) proposed consolidation of every 4 existing ordinary shares in THHE ("**THHE Shares(s)"**) or **"Share(s)**") into 1 THHE Share ("**Proposed Share Consolidation**");
(collectively referred to as "**Proposed Share Capital Restructuring**")

(ii) proposed conversion of a debt owing to Urusharta Jamaah Sdn Bhd amounting to RM42,389,063 to be capitalised into 176,621,095 new THHE Shares ("**Debt Conversion Share(s)**") at an issue price of RM0.24 per Debt Conversion Share ("**Proposed Debt Conversion**");

(iii) proposed private placement of 209,000,000 new THHE Shares ("**Placement Share(s)**"), representing 14.63% of the enlarged share capital of THHE at an issue price of RM0.24 per Placement Share ("**Proposed Private Placement**");

(iv) proposed issuance of up to 487,500,000 new islamic irredeemable convertible preference shares in THHE ("**ICPS-i**") at an issue price of RM0.24 per ICPS-i to the secured and unsecured creditors of THHE and its subsidiaries pursuant to the scheme of arrangements ("**Proposed Issuance of ICPS-i**"); and

(v) proposed amendments to the constitution of THHE to facilitate the issuance of the ICPS-i pursuant to the Proposed Issuance of ICPS-i ("**Proposed Amendments**").

The Proposed Regularisation Plan will mainly comprise the following (i) Proposed capital reconstruction exercise involving the proposed issuance of new ICPS-i and a capital reduction and amalgamation exercise for which the quantum has not been finalised (ii) Proposed acquisition of a subsidiary and/or asset which will be identified later.

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 utilisation RM'mil	Actual utilisation RM'mil	Variance 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
		374.0	374.0	-	0%

* 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.

(d) **Proposed Acquisition of TDSB**

On 21 April 2021, THHE Fabricators Sdn. Bhd. ("THFSB"), a wholly-owned subsidiary of THHE had entered into a conditional share sale agreement ("**SSA**") with Destini Shipbuilding and Engineering Sdn. Bhd. ("**DSBE**") for the acquisition of DSBE's entire shareholding in THHE Destini Sdn. Bhd. (" TDSB") amounting to 382,500 ordinary shares ("**Sale Shares**"), representing 51% equity interest in TDSB, for a cash consideration of RM121,131.12 ("**Purchase Consideration**") ("**Proposed Acquisition**").

On 22 November 2021, the Company announced that the Conditional Period under the SSA, i.e. the period within which the conditions precedent are to be fulfilled or obtained, has been mutually extended for a further period of one (1) month, commencing immediately after the date of expiry of the Extended Conditional Period on 20 November 2021. Save for the above, all other terms, conditions and provisions contained in the SSA shall remain unchanged and continue to be in full force and effect.

On 30 November 2021, the Company announced that the Conditions Precedent as set out in the Share Sale Agreement have been fulfilled. The purchase price for the Sale Shares shall be paid by THFSB to DSBE within seven (7) days from the date of fulfilment of the Conditions Precedent.

24. BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31 December 2021 (RM'000)	As at 31 December 2020 (RM'000)
Long Term Borrowings		
- Sukuk	-	20,000
- Secured term loan	-	41,400
Sub Total	**-**	**61,400**
Short Term Borrowings		
- Sukuk	84,200	64,200
- Secured term loan	43,061	14,561
- Bridger loan - secured	10,609	10,609
- Revolving credit facilities - unsecured	14,000	14,000
- Finance lease liabilities	-	56
Sub Total	**151,870**	**103,426**
Total borrowings	**151,870**	**164,826**

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 31 December 2021.

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").

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's action and THHE's counterclaim had recommenced in July 2021. The next date for the trial will be in February and March 2022. THHE's Solicitors, Izral Partnership, are of the opinion that the chances of a successful defence and proving the counterclaim is fair.

(c) **Coral Intoil Sdn. Bhd. vs TH Heavy Engineering Berhad (via Notice of Arbitration)**

On 23 July 2021, Coral Intoil Sdn Bhd ("CISB") had served THHE a Notice of Arbitration claiming from THHE an amount allegedly owed pursuant to a Joint Venture Agreement between the parties in respect of hook-up and commissioning projects (HUC Projects) where both parties jointly bid under THHE Offshore Services Sdn Bhd ("the JV Company"), as well as alleged claims relating to KINABALU Project and PERMAS Project. CISB's claims against THHE are:

i. General damages as the result of breach of term of the JV Agreement for KINABALU HUC Project in the amount RM3,200,000.00;

ii. Special damages and general damages as the result of breach of term of the Joint Venture Agreement for PERMAS Project in the amount of RM12,636,300.00;

iii. Liquidated damages on the PERMAS Project commencing from 1.2.2015 to date 16.4.2021 amounting to RM7,713,336.00;

iv. Interest on the awarded sum for PERMAS & KINABALU Projects at the rate of 10% per annum commencing from date of award until date of full settlement.

THHE finds CISB's claims against THHEare baseless. If at all, CISB's claims should have been made against the JV Company, THHEOS, which has been wound up on 9th April 2018. Furthermore, the KINABALU and PERMAS Projects were not awarded to THHE, but to its wholly owned subsidiary, THHE Fabricators Sdn. Bhd. which in turn had appointed THHEOS as its sub-contractor for the hook-up and commissioning works under the Projects.

On 16 August 2021, THHE's solicitors had filed an Originating Summons against CISB to stop CISB from proceeding with arbitration against THHE as the claims are invalid, null and void and inoperative.

The matter was heard on 10 September 2021, and the High Court decided for the matters to be resolved via arbitration based on the principle of minimal interference.

Following the High Court's decision, CISB filed for arbitration at Asian International Arbitration Centre ("AIAC") on 1 September 2021 and filed a statement of claim against THHE on 14 December 2021. In response, THHE, through its solicitors, had filed a statement of defence on 28 January 2022.

27. PROPOSED DIVIDENDS

No dividends have been proposed for the current reporting quarter.

28. LOSS PER SHARE

Earning per share ('EPS')	FOURTH QUARTER		CUMULATIVE QUARTER	
	Current Quarter	Preceding Year Corresponding Quarter	Current Financial Period	Preceding Corresponding
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Loss for the purpose of basic earnings per share (RM'000)	(9,992)	(45,317)	(15,786)	(56,285)
Weighted average number of ordinary shares for the purpose of basic earnings share (No.'000)	2,221,077	2,221,077	2,221,077	2,221,077
Basic EPS (sen)	**(0.45)**	**(2.04)**	**(0.71)**	**(2.53)**
Adjusted loss for the purpose of diluted earnings per share (RM'000)	(9,992)	(45,317)	(15,786)	(56,285)
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)	**(0.45)**	**(2.04)**	**(0.71)**	**(2.53)**

29. ITEMS TO DISCLOSE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31/12/2021 (RM'000)	Cummulative Period ended 31/12/2021 (RM'000)
Interest income	(81)	(458)
Interest expense	1,592	4,003
Impairment of receivables	4,349	4,349
Impairment of property,plant and equipment	1,033	1,033
Depreciation of property, plant of equipment	1,417	5,937
Gain on disposal property,plant and equipment	(60)	(13,314)
Waiver of debt arising from Scheme of Arrangement	(10)	(210)
Unrealised forex loss recognised in Profit & Loss Account	3,437	3,500
Foreseeable Loss	(7,511)	(7,511)
Realised forex gain	20	(78)

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.