Headline	Will TH Heavy Engineering be saved		
MediaTitle	The Edge		
Date	13 Jun 2016	Color	Black/white
Section	Corporate	Circulation	23,635
Page No	23	Readership	70,905
Language	English	ArticleSize	301 cm²
Journalist	JOSE BARROCK	AdValue	RM 2,315
Frequency	Weekly	PR Value	RM 6,946

Will TH Heavy Engineering be saved?

BY **JOSE BARROCK**

According to oil and gas industry sources, there could be a move by the powers that be to save TH Heavy Engineering Bhd (THHE) — the 29.81%-owned oil and gas fabrication unit of pilgrim fund Lembaga Tabung Haji — via the award of a government-related job.

While nothing is set in stone, the job could come from a government agency like the Malaysian Maritime Enforcement Agency, or other similar establishments, to ensure that THHE does not go belly up.

"It's difficult ... you can't just let the company flounder. Its controlling shareholder is the pilgrim fund," a source says.

With the current political climate, allowing a company controlled by the pilgrim fund to slip could be a minefield.

"Only about a few months ago, THHE was viewed as a mere 30%-controlled unit of Tabung Haji, and there were even questions as to why the pilgrim fund should bail out the company (THHE) ... but now, it's viewed as a political hot potato to let the company slide," says the source.

Playing a key role to secure a job for THHE seems to be Tabung Haji's chairman, Datuk Seri Abdul Azeez Abdul Rahim.

Neither Azeez nor THHE could be contacted for comment.

To recap, THHE is cash-strapped but requires funds to refurbish its 80%-owned floating production storage and offloading (FPSO) vessel, *Deep Producer 1*, which is dry-docked in Dubai.

THHE acquired the distressed asset (formerly the 68,000dwt tanker *MV Laurita*) in July 2011 for US$82.5 million, which was about 40% of the US$200 million the previous owners spent building the vessel.

However, the vessel did not have a locked-in charter contract and was unable to secure one for a long time, which resulted in THHE forking out as much as RM24 million per annum or RM2 million a month to maintain it between 2011 and 2014.

Then, in the second quarter of 2014, THHE was awarded an engineering, procurement, construction, installation and commissioning (EPCIC) contract by JX Nippon Oil & Gas Exploration (M) Ltd for the supply and bareboat lease of an FPSO unit for charter at the Layang oil and gas field located in Block SK10, off the shores of Sarawak.

The EPCIC contract, worth US$372 million (RM1.2 billion back then) for 7½ years, also has an additional potential contract value of up to US$457 million should JX Nippon exercise the full extension option of up to 10 years.

In April, when *The Edge* highlighted THHE's troubles, the company, in an announcement to Bursa Malaysia, denied that it owed Drydocks World in Dubai US$200 million, as reported, but declined to state the actual amount owed.

To make matters worse, THHE was informed in April that it would be excluded from participating in Petroliam Nasional Bhd tenders for as long as two years as a result of "performance-related issues" at a procurement, construction and commissioning project off the shores of Sabah, awarded by the state-controlled oil company.

Then, in another announcement to Bursa following a report in a Chinese daily, THHE said its "application to Maybank for financing did not materialise" and that the company was "still pursuing its financing efforts in order to deliver the FPSO project".

Deep Producer 1 is 80% owned by THHE, held under Floatech (L) Ltd, with the remaining 20% controlled by privately held company Dynac Sdn Bhd, which has its mainstay in the provision of cooling systems and heat ventilation, among others, for the oil and gas industry.

A check with the Companies Commission of Malaysia reveals that Dynac is almost wholly owned by Abdul Rahman Mohamed Shariff with Normala Mohd Sharif holding a stake of less than 1%.

In March, Dynac emerged as a substantial shareholder in Carimin Petroleum Bhd. It now holds a 9.39% stake in the company.

THHE suffered a net loss of RM33.44 million on revenue of RM14.52 million in the first quarter ended March 31, 2016. In the previous corresponding period, it posted a net loss of RM18.85 million on the back of RM47.80 million in sales.

As at end-March this year, THHE had close to RM48 million in cash and cash equivalents, and RM408.22 million in liabilities. Its accumulated losses stood at RM95.69 million.

It is interesting to note that last September, Tabung Haji subscribed for THHE's rights issue of preference shares — RM275 million raised — but it was the sole subscriber.

THHE's renounceable rights issue of up to 1.195 billion new Islamic irredeemable convertible preference shares (ICPS) of 25 sen each was undersubscribed, with only 30.04% or 359.21 million rights to the ICPS taken up by shareholders. The rights were offered on a basis of 16 ICPS for every 15 shares held.

"This represents an undersubscription of 836.60 million ICPS or 69.96% over the total 1.195 billion ICPS available for subscription under the rights issue," THHE said last year.

At its close of 12 sen last Thursday, THHE only had a market capitalisation of RM128.92 million. E