



TATT GIAP GROUP BERHAD

(Company No. 732294-W)
(Incorporated in Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the six months ended 30 June 2010

	3 months period ended		6 months period ended	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	RM'000	RM'000	RM'000	RM'000
Revenue	74,908	N/A	154,098	N/A
Cost of sales	(66,514)	N/A	(138,507)	N/A
Gross profit	8,394	N/A	15,591	N/A
Operating expenses	(5,146)	N/A	(9,283)	N/A
Operating income	1,708	N/A	2,333	N/A
Results from operating activities	4,956	N/A	8,641	N/A
Finance costs	(2,355)	N/A	(4,858)	N/A
Operating profit	2,601	N/A	3,783	N/A
Share of profit of associates	130	N/A	155	N/A
Profit before tax	2,731	N/A	3,938	N/A
Tax expense	(537)	N/A	(978)	N/A
Profit for the period	2,194	N/A	2,960	N/A
Other comprehensive income	31	N/A	31	N/A
Total comprehensive income for the period	2,225	N/A	2,991	N/A
Total comprehensive income attributable to:				
Equity holders of the Company	2,010	N/A	2,944	N/A
Minority interest	215	N/A	47	N/A
	2,225	N/A	2,991	N/A
Earning per share (sen)	6.69	N/A	9.79	N/A
Diluted Earnings per share	2.06	N/A	3.01	N/A

Notes

- 1) No comparative figures are available for the preceding year's individual and cumulative corresponding quarter as this is the first financial report being announced by the Company in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Requirements ("Listing Requirements").
- 2) Basic earnings per share for the quarter and cumulative financial period is calculated based on the profit for the period divided by the weighted average number of ordinary shares in issue for the quarter and financial period respectively.
- 3) Diluted earnings per share for the quarter and cumulative financial period is calculated based on the profit for the period divided by the weighted average number of ordinary shares in issue after full conversion of ICULS for the quarter and financial period respectively.



TATT GIAP GROUP BERHAD

(Company No. 732294-W)
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Unaudited condensed consolidated statement of financial position as at 30 June 2010

	As at 30-Jun-10 RM'000	As at 30-Jun-09 RM'000
ASSETS:		
Property, plant and equipments	193,229	N/A
Intangible assets	981	N/A
Prepaid lease payments	13,070	N/A
Investment in an associate	5,627	N/A
Other investments	181	N/A
Total non-current assets	<u>213,088</u>	<u>N/A</u>
Inventories	97,146	N/A
Receivables, deposits and prepayments	72,145	N/A
Current tax assets	1,765	N/A
Assets classified as held for sale	734	N/A
Cash & cash equivalents	21,932	N/A
Total current assets	<u>193,722</u>	<u>N/A</u>
Total assets	<u><u>406,810</u></u>	<u><u>N/A</u></u>
Equity		
Share capital	43,720	N/A
ICULS	27,994	N/A
Fair value reserve	(17)	N/A
Reverse acquisition reserve	(53,541)	N/A
Revaluation Reserve	47,587	N/A
Retained earnings	52,434	N/A
Total equity attributable to equity holders of the Company	<u>118,177</u>	<u>N/A</u>
Minority interest	16,973	N/A
Total equity	<u><u>135,150</u></u>	<u><u>N/A</u></u>
Liabilities		
Borrowings	34,433	N/A
Deferred tax liabilities	19,225	N/A
Total non-current liabilities	<u>53,658</u>	<u>N/A</u>
Payables and accruals	50,397	N/A
Borrowings	166,336	N/A
Current tax liabilities	1,269	N/A
Total current liabilities	<u>218,002</u>	<u>N/A</u>
Total liabilities	<u>271,660</u>	<u>N/A</u>
Total equity and liabilities	<u><u>406,810</u></u>	<u><u>N/A</u></u>



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Unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2010

	Share Capital	ICULS	Fair Value Reserve	Non - Distributable Revaluation Reserve	Reverse Acquisition Reserve	Distributable Retained Earnings	Total	Minority Interest	Total Equity
	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000
At 1 January 2010	^	-	-	47,587	-	46,118	93,705	4,045	97,750
Effect of adopting FRS139	-	-	(48)	-	-	-	(48)	-	(48)
At 1 January 2010, restated	^	-	(48)	47,587	-	46,118	93,657	4,045	97,702
Shares issued for acquisition of TGH	42,500	27,994	-	-	-	-	70,494	-	70,494
Arising from reverse acquisition	-	-	-	-	(53,541)	-	(53,541)	-	(53,541)
Effect of acquisition of TGO	1,220	-	-	-	-	(189)	1,031	-	1,031
Dilution of investment in a subsidiary	-	-	-	-	-	3,592	3,592	12,882	16,474
Total comprehensive income for the period	-	-	31	-	-	2,913	2,944	47	2,991
At 30 June 2010	43,720	27,994	(17)	47,587	(53,541)	52,434	118,176	16,974	135,150

Note:

Denotes RM2 comprising of 4 ordinary share of RM0.50 per share



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Unaudited condensed consolidated statement of cash flows for the six months period ended 30 June 2010

	Current year to date 30-Jun-10 RM'000	Preceding year to date 30-Jun-09 RM'000
Cash flows from operating activities		
Profit before taxation	3,938	N/A
Adjustments for non-cash items	8,134	N/A
Operating profit before working capitals changes	12,072	N/A
Changes in working capital		
- Inventories	(92)	N/A
- Receivables, deposits and prepayments	(1,921)	N/A
- Payables and accruals	(14,242)	N/A
Cash generated from operation	(4,183)	N/A
Interest received	(102)	N/A
Tax paid	(1,306)	N/A
<i>Net cash used in operating activities</i>	(5,591)	N/A
Cash flow from investing activity		
Acquisition of plant and equipment	(10,226)	N/A
Interest received	364	N/A
Disposal of investment in a subsidiary	16,500	N/A
<i>Net cash generated from investing activities</i>	6,638	N/A
Cash flow from financing activities		
Interest paid	(2,881)	N/A
Repayment of borrowings	(3,067)	N/A
Drawdown of term loan	17,095	N/A
Repayment of term loan	(2,093)	N/A
Drawdown of finance lease liabilities	1,471	N/A
Repayment of finance lease liabilities	(1,649)	N/A
<i>Net cash generated from financing activities</i>	8,876	N/A
Net increase in cash and cash equivalents	9,923	N/A
Cash and cash equivalents at 1 January 2010	(2,279)	N/A
Cash and cash equivalents at 30 June 2010	7,644	N/A



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Notes

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	30-Jun-10	30-Jun-09
	RM'000	RM'000
Cash and bank balances	21,932	N/A
Fixed deposits pledged with banks	(9,363)	N/A
Bank overdrafts	(4,925)	N/A
Cash and cash equivalents	<u>7,644</u>	<u>N/A</u>



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Notes to the condensed consolidated interim financial statements

A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

A2 Significant accounting policies

Except for the new Financial Reporting Standards, Amendments and Interpretations applicable to the Group effective from 1 January 2010 as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statement as at and for the year ended 31 December 2009.

- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
 - Amendments to FRS 7, Financial Instruments: Disclosures
 - Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Reclassification of Financial Assets
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment

Other than the application of FRS 10, FRS 139 and Amendments to FRS 117, Leases the application of the above FRSs, Amendments and Interpretations did not result in a significant change in accounting policies and presentation of the financial results of the Group.

(i) FRS 139, *Financial Instruments: Recognition and measurement*

The adoption of FRS 139 has resulted in the following adjustments made to the carrying amount of the Group’s other investments as follows:



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A2 Significant accounting policies (Cont'd)

	Group Fair value Reserve RM'000	Other investments RM'000
At 1 January 2010, as previously stated	-	198
Adjustments arising from adoption of FRS 139:		
- Fair value of other investments in equity	<u>48</u>	<u>(48)</u>
At 1 January 2010, as restated	<u>48</u>	<u>150</u>

Prior to the adoption of FRS 139, other investments in equity, other than investments in subsidiaries and jointly controlled entity were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in equity, other than investment in subsidiaries and jointly controlled entity are now categorized and measured as available-for-sale as detailed above and measured at fair values with the gains or losses recognized in other comprehensive income.

ii) FRS 101 (revised), *Presentation of Financial Statements*

The Group applies revised FRS 101 (revised), which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income. Comparative information, with the exception of the requirements under FRS 139, have been represented so that it is in conformity with the revised standard. This standard does not have any impact on earnings per ordinary share.

iii) *Amendments to FRS 117, Leases*

Prior to the adoption of the Amendment to FRS 117, leasehold land were treated as operating leases and classified and presented as prepaid land lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. The management is currently in the midst of assessing the classification of the Group's leasehold land. The change in classification has no effect to the profit or loss for the current period ended 30 June 2010 or the comparative prior period.

A3. Auditors' report on preceding annual financial statements

The auditors report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2009 was not subject to any qualification.

A4. Seasonality or cyclical factors

The business of the Group is not subject to seasonal or cyclical factors.



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A5. Exceptional and extraordinary items

Except as disclosed in Note B6, there were no items affecting assets, liabilities, equity, net income or cash flows that are exceptional or extraordinary due to their nature, size or incidence affecting the interim financial report.

A6. Changes in estimates

There were no changes in estimates that had a material effect in the current quarter and period to date results.

A7. Debt and equity securities

Except as disclosed in Note A12, there have been no issuances, cancellations, repurchases, resale and repayments of debts and equity securities during the current quarter.

A8. Dividend paid

There were no dividends paid by the Company in the current quarter .

A9. Segment information

Segment information is presented in respect of Tatt Giap Group's business segments, which is based on the Company's management and internal reporting structure. Inter-company pricing is determined on an arm's length terms.

Segmental revenue by business activities:-

<u>Segment Result</u>	Current Quarter		Cumulative period to Date	
	Ended 30 June		Ended 30 June	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Manufacturing	66,152	N/A	144,829	N/A
Trading	33,895	N/A	69,967	N/A
Investment holding	30	N/A	60	N/A
	<u>100,077</u>	<u>N/A</u>	<u>214,856</u>	<u>N/A</u>
Group Adjustment	(25,169)	N/A	(60,758)	N/A
	<u>74,908</u>	<u>N/A</u>	<u>154,098</u>	<u>N/A</u>



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Notes to the condensed consolidated interim financial statements

A9. Segment information (Cont'd)

Profit before tax by business activities:-

	Ended 30 June		Ended 30 June	
	2010	2009	2010	2009
<u>Profit before tax</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Manufacturing	2,277	N/A	9,648	N/A
Trading	344	N/A	1,340	N/A
Investment holding	6	N/A	10	N/A
	<u>2,627</u>	<u>N/A</u>	<u>10,998</u>	<u>N/A</u>
Group Adjustment	104	N/A	(7,060)	N/A
	<u>2,731</u>	<u>N/A</u>	<u>3,938</u>	<u>N/A</u>

No comparative figures are available for the previous year's corresponding quarter and period to date as the Group was put in place only on 4th June 2010 and this is its first interim financial report since the Company's admission to the Main Market of Bursa Malaysia.

A10. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

The valuation of properties, plant and equipments has been brought forward without amendment from the previous audited financial statements.

A11. Events subsequent to the balance sheet date

On 22 July 2010, the Company was officially listed on Main Market of Bursa Malaysia involving the following:

a) Public Issue

Public Issue of 14,560,000 new ordinary shares of RM0.50 each at an issue price of RM0.58 per ordinary share comprising:

- 6,000,000 new ordinary shares of RM0.50 each reserved for application by the Malaysian Public;
- 2,000,000 new ordinary shares of RM0.50 each reserved for eligible directors and employees of Tatt Giap Group Berhad and its subsidiary companies; and
- 6,560,000 new ordinary shares of RM0.50 each reserved for private placement to identified investors.



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A11. Events subsequent to the balance sheet date (Cont'd)

b) Offer for Sale

- 4,000,000 new ordinary shares of RM0.50 each to be offered to identified investors at an offer price of RM0.58 per ordinary share;
- 10,200,000 new ordinary shares of RM0.50 each to be offered to Bumiputera investors approved by the Ministry of International Trade & Industry at an offer price of RM0.58 per ordinary share; and
- RM10,000 nominal value of irredeemable convertible unsecured loan stock at an offer price of 100% of the nominal value to the Malaysian Public.

A12. Status of utilization of proceeds

Subsequent to the listing of the Group on the Main Market of Bursa Malaysia, the gross proceeds from the public issue amounting to RM8.44 million is utilised in the following manner:

<u>Types of Payment</u>	<u>Proposed</u>	<u>Actual</u>	<u>Balance</u>	<u>Timeframe for utilization</u>
Repayment of Term Loan	5,945	-	5,945	Within two months
Payments of listing expenses	2,500	2,100	400	Within three months
Total proceeds	<u>8,445</u>	<u>2,100</u>	<u>6,345</u>	

A12. Changes in Group's composition

a) In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia, the Company undertook the following restructuring exercises: -

i) Acquisition of Tatt Giap Hardware Sdn Bhd (TGH)

The Company acquired the entire issued and paid-up share capital of TGH comprising of 20,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM73,299,998 satisfied by the issuance of 84,999,996 new TGG ordinary shares of RM0.50 each and 30,800,000 TGG ICULS at 100% of its nominal value; and

ii) Acquisition of TG Oriental Steel Sdn Bhd (TGO)

The Company acquired the entire issued and paid-up share capital of TGO comprising of 1,500,000 ordinary shares of RM1.00 each for a total purchase of RM1,220,000 fully satisfied by the issuance of 2,440,000 new TGG ordinary shares of RM0.50 each.

The Acquisitions were completed on 4 June 2010.



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A12. Changes in Group's composition (Cont'd)

- b) Dilution of investment in a subsidiary – Nippon Egalv Steel Sdn Bhd

Refer to Note B6 for further details.

A13. Changes in contingent liabilities and assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

A14. Capital Commitments

	Current Quarter ended 30 June 2010 RM'000	Cumulative Period to Date ended 30 June 2010 RM'000
Plant and equipment		
Contracted but not provided for in the financial statements (within 1 year)	1,981	1,981

A15. Significant related party transactions

	Current Quarter ended 30 June 2010 RM'000	Cumulative Period to Date ended 30 June 2010 RM'000
a) Transactions with an associate,		
Sales	34	111
Purchase	35	985
b) Transactions with a related party		
Short-term loan	14,384	14,384

Note:

Short-term loan from a related party is for the purpose of working capital with a repayment period of 1 year bearing interest at LIBOR + 1.125% per annum.



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Notes to the condensed consolidated interim financial statements

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

For the cumulative current quarter ended 30 June 2010, the Group reported a revenue of RM154.0 million and a profit after taxation of RM3.0 million.

B2. Variation of results against preceding quarter

Revenue and profit after tax for the current quarter ended 30 June 2010 amounted to RM75.0 million and RM2.2 million respectively. This represents a 5.0% drop in revenue and 100% increase in profit after tax over the immediate preceding quarter. The drop in the revenue for current quarter is mainly due to lower demand as a result of increase in average selling price. The increase in profit after tax is due to improve in gross profit margin from 9% to 11%.

B3. Current year prospects

The economy is expected to stage a recovery in 2010. Being the pioneer in the region coupled with its competitive strength, the Group is optimistic of continuing delivering positive results in the year 2010.

B4. Variance between actual profit and forecast profit

The Group has not issued any profit forecast or profit guarantee.

B5. Tax expense

	Current Quarter Ended 30 June 2010 RM'000	Cumulative Period-to-date 30 June 2010 RM'000
Current tax expense	537	978
Deferred tax expense	-	-
	<hr/> <hr/> 537	<hr/> <hr/> 978

Effective tax rate is 20% and 25% for the quarter and period ended 30 June 2010 respectively. The effective tax rate is lower than the Malaysian statutory tax rate mainly due to utilisation of unabsorbed losses carry forward in a subsidiary.



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Notes to the condensed consolidated interim financial statements

B6. Gain on Disposal of unquoted investment

The subsidiaries namely, Tatt Giap Hardware Sdn. Bhd. (“TGH”) and Tatt Giap Steel Centre Sdn. Bhd. (“TGSC”) and Nippon Egalv Steel Sdn. Bhd. (“NE”) together with a shareholder of NE had on 9 December 2009 entered into a Share Sales Agreement (“the Agreement”) with Nippon Steel Corporation (“NSC”) and Hanwa Co. Ltd. (“Hanwa”) for the disposal of 2,250,000 ordinary shares of RM1.00 each (equivalent to 10% equity interest) and 3,375,000 ordinary shares of RM1.00 each (equivalent to 15% equity interest) in NE by TGSC to NSC and Hanwa respectively for a total cash consideration of RM16.5 millions.

The disposal was completed in February 2010 upon the full consideration from NSC and Hanwa being received. The Group recorded a gain on the said disposal of RM3.6 million which was recognized and adjusted to Group reserve

B7. Quoted investments

	Cost RM'000	Market Value as at 30 June 2010 RM'000
Quoted Shares in Malaysia	198	181

B8. Borrowing

The Group borrowing as at 30 June 2010 is as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank Overdraft	4,113	812	4,925
- Bank Acceptance	89,789	27,623	117,412
- Trust Receipts	11,448	9,851	21,299
- Term Loans	19,720	-	19,720
- Hire Purchase obligations	2,980	-	2,980
	<u>128,050</u>	<u>38,286</u>	<u>166,336</u>
Non-Current			
- Term Loans	27,737	-	27,737
- ICULS	-	2,806	2,806
- Hire Purchase obligations	3,890	-	3,890
	<u>31,627</u>	<u>2,806</u>	<u>34,433</u>
Total	<u>159,677</u>	<u>41,092</u>	<u>200,769</u>

The above borrowings are denominated in Ringgit Malaysia.



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B9 . Off balance sheet financial instruments

During the financial period to date, the Group did not enter into any contracts involving off balance sheet financial instruments.

B10. Material litigation

Save as disclosed below, the Group is not engaged in any material litigation for the current financial period:

Nippon EGalv had filed a civil suit (Suit No. 22-538-2009) on 17 August 2009, against Gana Jaan Machinery Co Ltd (“Defendant”) claiming for the Defendant’s breach of implied conditions of a contract to supply and provide plant, machineries and equipment, to provide certain services to procure the establishment and setup of Nippon EGalv’s commercial manufacturing electro galvanising line, of short supply of several parts of equipment and the subsequent refusal by the Defendant to reimburse Nippon EGalv for costs and expenses incurred. The claim is for an amount of RM4.22 million, further damages to be assessed and interest thereon. The solicitors acting on behalf of Nippon EGalv informed that they are in the process of effecting service of the Writ out of jurisdiction through judicial assistance.

B11. Proposed dividend

The Board does not recommend any dividend for the current quarter ended 30 June 2010 as the listing exercise was only recently completed in July 2010.

B12. Earnings per share

a) Basic Earnings per share

	Cumulative Period to Date	
	Current Period Ended 30 June 2010	Preceding Period Ended 30 June 2009
Profit attributable to shareholders of the Company (RM'000)	2,944	N/A
Weighted average number of ordinary shares in issue ('000)		
Period 1st January 2010 - 3rd June 2010	20,000	N/A
Period 4th June 2010 - 30th June 2010	87,440	N/A
Weighted Average	30,060	N/A
Basic earnings per share (sen)	9.79	N/A



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b) Diluted Earnings per share

After Public Offering and TGG ICULS conversion

	Cumulative Period to Date	
	Current Period Ended 30 June 2010	Preceding Period Ended 30 June 2009
Profit attributable to shareholders of the Company (RM'000)	2,944	N/A
Weighted average number of ordinary shares in issue ('000)		
Weighted average	30,060	N/A
Public offering *	14,560	
Effect of ICULS conversion and public offering *	53,103	N/A
Weighted average	97,723	N/A
Basic earnings per share (sen)	3.01	N/A

* As disclosed in A11, the public offering of the Company took place on 22 July 2010

B13. Authorization for issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board.