



TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

**Unaudited condensed consolidated statement of comprehensive income
for the period ended 31 March 2012**

	Note	Individual Quarter		Cumulative Quarter	
		31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue		67,338	91,576	67,338	91,576
Cost of sales		(59,006)	(83,742)	(59,006)	(83,742)
Gross profit		8,332	7,834	8,332	7,834
Other operating income		60	1,292	60	1,292
Distribution expenses		(1,613)	(1,927)	(1,613)	(1,927)
Administrative expenses		(3,798)	(3,605)	(3,798)	(3,605)
Other operating expenses		(87)	-	(87)	-
Results from operating activities		2,894	3,594	2,894	3,594
Finance costs		(2,293)	(2,627)	(2,293)	(2,627)
Operating profit	1	601	967	601	967
Share of (loss)/profit of equity accounted associates, net of tax		(1,864)	92	(1,864)	92
(Loss)/Profit before tax		(1,263)	1,059	(1,263)	1,059
Income tax expense		(167)	(370)	(167)	(370)
(Loss)/Profit for the period		(1,430)	689	(1,430)	689
Other comprehensive income, net of tax					
Gain on available-for-sale financial assets		8	6	8	6
Total comprehensive (expense)/income for the period		(1,422)	695	(1,422)	695
(Loss)/Profit for the period attributable to:					
Owners of the Company		(1,342)	1,198	(1,342)	1,198
Non-controlling interests		(88)	(509)	(88)	(509)
(Loss)/Profit for the period		(1,430)	689	(1,430)	689
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(1,334)	1,204	(1,334)	1,204
Non-controlling interests		(88)	(509)	(88)	(509)
Total comprehensive (expense)/income for the period		(1,422)	695	(1,422)	695
Basic (loss)/earnings per ordinary share (sen)		(1.32)	1.18	(1.32)	1.18
Diluted earnings per ordinary share (sen)		-	0.78	-	0.78

Note:

1. Operating profit is arrived at:

After charging:

- Impairment loss on trade receivables	210	210	210	210
- Depreciation on property, plant and equipment	1,316	3,451	1,316	3,451
- Realised loss on foreign exchange	297	-	297	-
- Loss on disposal of plant and equipment	1	-	1	-
- Interest expense	2,293	2,382	2,293	2,382

After crediting:

- Gain on disposal of plant and equipment	-	74	-	74
- Interest income	10	39	10	39

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



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(Incorporated in Malaysia)

**Unaudited condensed consolidated statement of financial position
as at 31 March 2012**

	31-Mar-12	31-Dec-11
	RM'000	RM'000
Assets		
Property, plant and equipment	139,304	122,861
Intangible assets	1,469	230
Investment in associates	12,725	14,589
Other investments	159	151
Total non-current assets	153,657	137,831
Inventories	123,373	128,652
Trade and other receivables	71,301	72,249
Current tax assets	2,291	2,201
Cash and cash equivalents	11,394	12,842
Total current assets	208,359	215,944
Total assets	362,016	353,775
Equity		
Share capital	51,000	51,000
Reserves	71,191	72,525
Total equity attributable to owners of the Company	122,191	123,525
Non-controlling interests	1,486	-
Total equity	123,677	123,525
Liabilities		
Loans and borrowings	38,928	27,970
Deferred tax liabilities	8,120	8,120
Total non-current liabilities	47,048	36,090
Loans and borrowings	141,094	136,860
Trade and other payables	49,993	57,124
Current tax liabilities	204	176
Total current liabilities	191,291	194,160
Total liabilities	238,339	230,250
Total equity and liabilities	362,016	353,775

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



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**Unaudited condensed consolidated statement of changes in equity
for the period ended 31 March 2012**

	← <i>Attributable to owners of the Company</i> →							Total	Non- controlling interests	Total Equity
	← Non-distributable →				Distributable					
	Share capital	Share premium	Reverse acquisition reserve	Fair value reserve	Revaluation reserve	Capital reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2011	51,000	774	(53,300)	(1)	43,676	28,182	52,092	122,423	13,954	136,377
Effect of transition to MFRS	-	-	-	-	(43,676)	-	43,676	-	-	-
	51,000	774	(53,300)	(1)	-	28,182	95,768	122,423	13,954	136,377
Other comprehensive income for the period										
- Fair value of available-for-sale financial assets	-	-	-	6	-	-	-	6	-	6
Profit for the period	-	-	-	-	-	-	1,198	1,198	(509)	689
Total comprehensive income/(expense) for the period	-	-	-	6	-	-	1,198	1,204	(509)	695
At 31 March 2011	51,000	774	(53,300)	5	-	28,182	96,966	123,627	13,445	137,072
At 1 January 2012	51,000	774	(53,300)	(47)	18,078	28,182	78,838	123,525	-	123,525
Effect of transition to MFRS	-	-	-	-	(18,078)	-	18,078	-	-	-
	51,000	774	(53,300)	(47)	-	28,182	96,916	123,525	-	123,525
Other comprehensive income for the period										
- Fair value of available-for-sale financial assets	-	-	-	8	-	-	-	8	-	8
Loss for the period	-	-	-	-	-	-	(1,342)	(1,342)	(88)	(1,430)
Total comprehensive income/(expense) for the period	-	-	-	8	-	-	(1,342)	(1,334)	(88)	(1,422)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,574	1,574
At 31 March 2012	51,000	774	(53,300)	(39)	-	28,182	95,574	122,191	1,486	123,677

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



TATT GIAP GROUP BERHAD
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**Unaudited condensed consolidated statement of cash flows
for the period ended 31 March 2012**

	Note	Current period to 31-Mar-12 RM'000	Preceding period to 31-Mar-11 RM'000
Cash flows from operating activities			
(Loss)/Profit before tax from continuing operations		(1,263)	1,059
Adjustments for:			
Depreciation on property, plant and equipment		1,316	3,451
Loss/(Gain) on disposal of plant and equipment		1	(74)
Dividend income		-	(1)
Interest income		(10)	(39)
Interest expense		2,293	2,382
Share of loss/(profit) of equity accounted associates		1,864	(92)
Operating profit before working capital changes		4,201	6,686
Changes in working capital:			
Inventories		5,279	(8,726)
Trade and other receivables		5,109	(3,934)
Trade and other payables		(11,361)	3,524
Cash generated from/(used in) operations		3,228	(2,450)
Income taxes paid		(229)	(503)
Net cash from/(used in) operating activities		2,999	(2,953)
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(14,556)	(1,757)
Dividend received		-	1
Interest received		10	39
Net cash inflow on acquisition of a subsidiary		258	-
Proceeds from disposal of plant and equipment		-	171
Net cash used in investing activities		(14,288)	(1,546)
Cash flows from financing activities			
Interest paid		(2,293)	(2,382)
Placement of pledged fixed deposits		(8)	(612)
Drawdown of borrowings, net		3,623	662
Drawdown of term loans		10,370	4,947
Repayment of term loans		(594)	(884)
Payment of finance lease liabilities		(945)	(1,012)
Net cash from financing activities		10,153	719
Net decrease in cash and cash equivalents		(1,136)	(3,780)
Cash and cash equivalents as at beginning of financial period		(995)	(426)
Cash and cash equivalents as at end of financial period	B	(2,131)	(4,206)

Notes:

A. Acquisition of property, plant and equipment

During the period, the Group acquired property, plant and equipment with an aggregate cost of RM17.442million (2011: RM3.650million) of which RM2.886million (2011: RM1.893million) was acquired by means of finance lease arrangements.



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**Unaudited condensed consolidated statement of cash flows
for the period ended 31 March 2012 (continued)**

B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	Current period to 31-Mar-12 RM'000	Preceding period to 31-Mar-11 RM'000
Cash and bank balances	2,003	2,416
Bank overdrafts	<u>(4,134)</u>	<u>(6,622)</u>
Cash and cash equivalents	<u><u>(2,131)</u></u>	<u><u>(4,206)</u></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



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Notes to the condensed consolidated interim financial statements

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

A1. Basis of preparation

These condensed consolidated interim financial reports, for the period ended 31 March 2012, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial reports also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial reports are the Group's first MFRS condensed consolidated interim financial reports for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MRFS 1: First time adoption of Malaysian Financial Reporting Standards ("MRFS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position is as set out below. These notes include reconciliations of equity for the comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of comprehensive income and cash flows.

Property, plant and equipment

The Group has previously adopted a revaluation model for its property, plant and machinery every five (5) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying amount.

Upon transition to MFRS, the Group has elected to measure its property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment. At the date of transition to MFRS, the Group uses the previous revaluation at or before the date of transition as deemed cost. The revaluation surplus was transferred to retained earnings on date of transition to MFRS.



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Notes to the condensed consolidated interim financial statements

A1. Basis of preparation (continued)

Property, plant and equipment (continued)

The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Reconciliation of equity as at 1 January 2011

	FRSs as at 1 January 2011	Effect of transition to MFRSs	MFRSs as at 1 January 2011
	RM'000	RM'000	RM'000
Revaluation reserve	43,676	(43,676)	-
Retained earnings	52,092	43,676	95,768

Reconciliation of equity as at 31 March 2011

	FRSs as at 31 March 2011	Effect of transition to MFRSs	MFRSs as at 31 March 2011
	RM'000	RM'000	RM'000
Revaluation reserve	43,676	(43,676)	-
Retained earnings	53,290	43,676	96,966

Reconciliation of equity as at 31 December 2011

	FRSs as at 31 December 2011	Effect of transition to MFRSs	MFRSs as at 31 December 2011
	RM'000	RM'000	RM'000
Revaluation reserve	18,078	(18,078)	-
Retained earnings	78,838	18,078	96,916

A2. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2011 was not qualified.



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Notes to the condensed consolidated interim financial statements

A3. Seasonality or cyclical factors

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

A4. Exceptional and extraordinary items

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.

A5. Changes in estimates

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

A6. Debt and equity securities

There have been no issuances, cancellations, repurchases, resale and repayments of debts and equity securities during the current quarter.

A7. Dividend paid

There was no dividend paid by the Company in the current quarter and the period to date.

A8. Segmental information

The Group only has one reportable segment which is principally confined to the manufacturing and trading of stainless steel pipes, tubes and bars, electro-galvanised steel, perforated metal products and other ferrous and non-ferrous metal products. The Group's Executive Chairman (the chief operating decision maker) reviews internal management reports on the reportable segment on a monthly basis.

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Geographical information

	Current quarter ended 31 March		Cumulative quarter to date ended 31 March	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<u>Segment revenue</u>				
Malaysia	59,618	83,301	59,618	83,301
Asia (excluding Malaysia)	2,496	2,827	2,496	2,827
United States of America	4,891	5,448	4,891	5,448
Europe	333	-	-	-
	<u>67,338</u>	<u>91,576</u>	<u>67,005</u>	<u>91,576</u>



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Notes to the condensed consolidated interim financial statements

A9. Property, plant and equipment

During the current quarter, the Group has acquired leasehold land, building and machinery amounting to RM7.25million, RM5.66million and RM3million respectively.

A10. Significant events during the financial period

a) On 9 March 2012, Tatt Giap Hardware Sdn. Bhd., a wholly owned subsidiary of the Company, disposed of its entire equity interests in Tatt Giap Steel Centre Sdn. Bhd. ("TGSC") and Formosa Industries Sdn. Bhd. ("FI") to the Company for a total cash consideration of RM10,956,268. Subsequent to the aforesaid disposals, the Company became the immediate holding company of TGSC and FI.

b) On 9 March 2012, TGSC, a wholly owned subsidiary of the Company, disposed of its entire interests in Tatt Giap Perforated Metals Sdn. Bhd., TGMI Industries Sdn. Bhd., Superinox Pipe Industry Sdn. Bhd. and Superinox International Sdn. Bhd. to the Company for a total cash consideration of RM2,255,491. Subsequent to the aforesaid disposals, the Company became the immediate holding company of the above mentioned subsidiaries.

A11. Subsequent event

There were no material subsequent events to be disclosed as at the date of this report.

A12. Changes in composition of the Group

Acquisition of subsidiary - Buminox Sdn. Bhd.

On 12 January 2012, the Company acquired 60% of the issued and paid-up share capital of Buminox Sdn. Bhd. ("Buminox") for a total cash consideration of RM3,600,000. Upon completion of the acquisition, Buminox became a 60% subsidiary of the Company.

The following summarises the method of consideration, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Method of consideration	RM'000
Cash and cash equivalents	360
Outstanding payment	<u>3,240</u>
Total consideration	<u><u>3,600</u></u>
 Identified assets acquired and liabilities assumed	
Property, plant and equipment	341
Trade and other receivables	4,161
Cash and cash equivalents	618
Borrowings	(195)
Trade and other payables	<u>(991)</u>
Total identifiable net assets	<u><u>3,934</u></u>
 Net cash arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	(360)
Cash and cash equivalents acquired	<u>618</u>
Net cash inflow	<u><u>258</u></u>

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Notes to the condensed consolidated interim financial statements**A12. Changes in composition of the Group (continued)****Acquisition of subsidiary - Buminox Sdn. Bhd. (continued)**

Goodwill	RM'000
Goodwill was recognised as a result of the acquisition as follows:	
Total consideration	3,600
Non-controlling interest	1,574
Fair value of identifiable net assets	<u>(3,934)</u>
Goodwill	<u><u>1,240</u></u>

Acquisition-related costs

The Group incurred acquisition-related costs of RM87,360 relating to external due diligence costs. The due diligence costs has been included in other operating expenses in profit or loss.

A13. Contingent liabilities

The Company has issued corporate guarantees to banks and financial institutions for borrowings granted to an associate for RM8.2million of which RMNil was utilised at the end of the reporting date.

A14. Capital commitment

	Cumulative Period to Date 31-Mar-12 RM'000
Contracted but not provided for in the financial statements	
- Plant and equipment	<u><u>8,570</u></u>

A15. Significant related party transactions

	Current Quarter 31-Mar-12 RM'000	Cumulative Period to Date 31-Mar-12 RM'000
a) Transactions with associates:		
- Sales	162	162
- Purchases	<u>3,985</u>	<u>3,985</u>



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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 quarter 1 of year 2012 ("Q1 2012"), the Group achieved a total revenue of RM67.34million. This represents a decrease by RM24.24million or 26% as compared to the revenue of RM91.58million for the corresponding quarter 1 of year 2011 ("Q1 2011"). The key factor for dropped in sales was preliminarily attributable to the result of a subsidiary, Nippon Egalv ("NEG") which was not consolidated in current quarter under review as it had been disposed and became an associate to the Group on 30 June 2011. If the result of NEG is excluded, the Group's Q1 2012 revenue reduced by about 3% as compared to Q1 2011 mainly due to weak market sentimentals.

Apart from non-consolidation of NEG, the Group's operating profit dropped from RM2.6million in Q1 2011 to RM621k in Q1 2012 and included NEG, the Group registered a loss before tax of RM1.26million, as compared to a profit before tax of RM1.06million for Q1 2011. mainly due to drop in sales and low margin resulted from drop in steel price.

B2 Variation of results against preceding quarter

During the period under review, the Group's revenue was RM67.34million, decreased by RM7.61million or 10% as compared to the revenue of RM74.95million for the preceding quarter 4 of year 2011 ("Q4 2011"). The lower revenue was preliminarily attributable to lower sales generated from manufacturing and trading divisions.

The Group registered a loss before tax of RM1.26million after take into consideration of share of loss from associates amounted to RM1.86million. It represents a decrease by RM1.44million as compared to a profit before tax of RM177k for preceding quarter. This was mainly attributed to decline in sales due to weak market sentimentals and seasonal holidays.

B3 Current year prospects

Due to slown down of China's economic growth and the on-going European debt crisis, the global economic prospect is expected to remain weak and challenging. The Group will continue to focus on expanding its distribution business in central and southern region of Malaysia. In addition, the Group will also expecting returns from its new venture of excavation, extraction and marketing of iron ore and its new production line - stainless steel fitting. The Board of Directors foresees that Group's performance to be satisfactory for the coming financial year.

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Notes to the condensed consolidated interim financial statements**B4 Variance between actual profit and forecast profit**

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

B5 Income tax expense

	Current Quarter 31-Mar-12 RM'000	Cumulative Period to Date 31-Mar-12 RM'000
Current tax expense	<u>167</u>	<u>167</u>

The effective tax rate for the Group for the period under review was higher than the statutory income tax rate of 25% mainly due to certain subsidiaries and an associate within the Group experienced losses during the current quarter.

B6 Quoted investments

	Carrying Amount RM'000	Market value as at 31 March 2012 RM'000
Quoted shares in Malaysia	<u>159</u>	<u>159</u>

B7 Loan and borrowings

The Group's loans and borrowings as at 31 March 2012 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank overdraft	3,211	924	4,135
- Trade line	98,686	33,310	131,996
- Term loans	2,061	-	2,061
- ICULS	-	583	583
- Finance lease liabilities	<u>2,283</u>	<u>36</u>	<u>2,319</u>
	<u>106,241</u>	<u>34,853</u>	<u>141,094</u>
Non-current			
- Term loans	32,474	-	32,474
- ICULS	-	1,567	1,567
- Finance lease liabilities	<u>4,738</u>	<u>149</u>	<u>4,887</u>
	<u>37,212</u>	<u>1,716</u>	<u>38,928</u>
Total	<u>143,453</u>	<u>36,569</u>	<u>180,022</u>

The above borrowings are denominated in Ringgit Malaysia.

B8 Material litigation

The Group is not engaged in any material litigation for the current financial period.



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Notes to the condensed consolidated interim financial statements

B9 Proposed dividend

The Board does not recommend any dividend for the current quarter ended 31 March 2012.

B10 Loss per share

a) Basic loss per ordinary share

	Current Quarter 31-Mar-12	Cumulative Period to Date 31-Mar-12
Loss attributable to ordinary shareholders (RM'000)	(1,342)	(1,342)
Weighted average number of ordinary share ('000)	<u>102,000</u>	<u>102,000</u>
Basic loss per ordinary share (in sen)	<u>(1.32)</u>	<u>(1.32)</u>

b) Diluted earnings per ordinary share

	Current Quarter 31-Mar-12	Cumulative Period to Date 31-Mar-12
Loss attributable to ordinary shareholders (basic) (RM'000)	(1,342)	(1,342)
Interest expense on ICULS, net of tax (RM'000)	144	144
Loss attributable to ordinary shareholders (diluted) (RM'000)	<u>(1,198)</u>	<u>(1,198)</u>
Weighted average number of ordinary shares (basic) ('000)	102,000	102,000
Effect of conversion of ICULS ('000)	53,103	53,103
Weighted average number of ordinary shares (diluted) ('000)	<u>155,103</u>	<u>155,103</u>
Diluted earnings per ordinary share (in sen)	<u>-</u>	<u>-</u>



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Notes to the condensed consolidated interim financial statements

B11 Realised and unrealised profits or losses

The breakdown of retained earnings of the Group as at the reporting date, into realised and unrealised profits or losses, pursuant to directive, are as follows:

	As at 31-Mar-12 RM'000	As at 31-Dec-11 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	90,563	89,734
- Unrealised	<u>9,958</u>	<u>10,329</u>
	100,521	100,063
Total share of accumulated (losses)/profit from associates:		
- Realised	<u>(3,960)</u>	<u>(2,096)</u>
	96,561	97,967
Consolidation adjustments	<u>(987)</u>	<u>(1,051)</u>
Total retained earnings	<u><u>95,574</u></u>	<u><u>96,916</u></u>

B12 Authorization for issue

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