



**TATT GIAP GROUP BERHAD**

(732294-W)

(Incorporated in Malaysia)

**Unaudited condensed consolidated statement of comprehensive income  
for the period ended 30 June 2012**

|   | Note | Individual Quarter |           | Cumulative Quarter |           |
|---|------|--------------------|-----------|--------------------|-----------|
|   |      | 30-Jun-12          | 30-Jun-11 | 30-Jun-12          | 30-Jun-11 |
|   |      | RM'000             | RM'000    | RM'000             | RM'000    |
| <b>Continuing operations</b>                                      |      |                    |           |                    |           |
| Revenue   |      | 80,678             | 77,776    | 148,016            | 169,352   |
| Cost of sales   |      | (81,864)           | (70,676)  | (140,870)          | (154,419) |
| <b>Gross profit/(loss)</b>  |      | (1,186)            | 7,100     | 7,146              | 14,933    |
| Other operating income  |      | 247                | 5,324     | 307                | 6,617     |
| Distribution expenses   |      | (1,773)            | (1,812)   | (3,386)            | (3,739)   |
| Administrative expenses   |      | (3,634)            | (3,759)   | (7,519)            | (7,364)   |
| Other operating expenses  |      | -                  | -         | -                  | -         |
| <b>Results from operating activities</b>                          |      | (6,347)            | 6,853     | (3,452)            | 10,447    |
| Finance costs   |      | (2,464)            | (3,175)   | (4,757)            | (5,802)   |
| <b>Operating profit/(loss)</b>                                    | 1    | (8,811)            | 3,678     | (8,209)            | 4,645     |
| Share of (loss)/profit of equity accounted associates, net of tax |      | (2,392)            | 161       | (4,257)            | 253       |
| <b>(Loss)/Profit before tax</b>                                   |      | (11,203)           | 3,839     | (12,466)           | 4,898     |
| Income tax expense  |      | (24)               | (506)     | (191)              | (876)     |
| <b>(Loss)/Profit for the period</b>                               |      | (11,227)           | 3,333     | (12,657)           | 4,022     |
| <b>Other comprehensive income, net of tax</b>                     |      |                    |           |                    |           |
| Loss on available-for-sale financial assets                       |      | (16)               | (18)      | (8)                | (12)      |
| <b>Total comprehensive (expense)/income for the period</b>        |      | (11,243)           | 3,315     | (12,665)           | 4,010     |
| <b>(Loss)/Profit for the period attributable to:</b>              |      |                    |           |                    |           |
| Owners of the Company   |      | (11,321)           | 4,163     | (12,838)           | 5,361     |
| Non-controlling interests   |      | 94                 | (830)     | 182                | (1,339)   |
| <b>(Loss)/Profit for the period</b>                               |      | (11,227)           | 3,333     | (12,657)           | 4,022     |
| <b>Total comprehensive (expense)/income attributable to:</b>      |      |                    |           |                    |           |
| Owners of the Company   |      | (11,337)           | 4,145     | (12,846)           | 5,349     |
| Non-controlling interests   |      | 94                 | (830)     | 182                | (1,339)   |
| <b>Total comprehensive (expense)/income for the period</b>        |      | (11,243)           | 3,315     | (12,665)           | 4,010     |
| <b>Basic (loss)/earnings per ordinary share (sen)</b>             |      | (11.10)            | 4.08      | (12.59)            | 5.26      |
| <b>Diluted earnings per ordinary share (sen)</b>                  |      | -                  | 2.68      | -                  | 3.46      |
| <b>Note:</b>  |      |                    |           |                    |           |
| <b>1. Operating profit is arrived at:</b>                         |      |                    |           |                    |           |
| After charging:   |      |                    |           |                    |           |
| - Impairment loss on trade receivables                            |      | 210                | 210       | 420                | 420       |
| - Depreciation on property, plant and equipment                   |      | 1,390              | 3,444     | 2,706              | 6,895     |
| - Realised loss on foreign exchange                               |      | -                  | -         | 297                | -         |
| - Loss on disposal of plant and equipment                         |      | -                  | -         | 1                  | -         |
| - Interest expense  |      | 2,969              | 3,420     | 5,262              | 5,802     |
| After crediting:  |      |                    |           |                    |           |
| - Gain on disposal of plant and equipment                         |      | -                  | 3,669     | -                  | 3,743     |
| - Realised gain on foreign exchange                               |      | 232                | 31        | -                  | 354       |
| - Unrealised gain on foreign exchange                             |      | -                  | 204       | -                  | 372       |
| - Interest income   |      | -                  | 878       | 10                 | 917       |

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



**TATT GIAP GROUP BERHAD**

(732294-W)

(Incorporated in Malaysia)

**Unaudited condensed consolidated statement of financial position  
as at 30 June 2012**

|   | <b>30-Jun-12</b> | <b>31-Dec-11</b> |
|---|------------------|------------------|
|   | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Assets</b>   |                  |                  |
| Property, plant and equipment                             | 140,638          | 122,861          |
| Intangible assets   | 1,469            | 230              |
| Investment in associates                                  | 10,333           | 14,589           |
| Other investments   | 151              | 151              |
| <b>Total non-current assets</b>                           | <b>152,591</b>   | <b>137,831</b>   |
| Inventories   | 121,921          | 128,652          |
| Trade and other receivables                               | 102,957          | 72,249           |
| Current tax assets  | 3,017            | 2,201            |
| Cash and cash equivalents                                 | 11,043           | 12,842           |
| <b>Total current assets</b>                               | <b>238,939</b>   | <b>215,944</b>   |
| <b>Total assets</b>                                       | <b>391,530</b>   | <b>353,775</b>   |
| <b>Equity</b>   |                  |                  |
| Share capital   | 51,000           | 51,000           |
| Reserves  | 59,783           | 72,525           |
| <b>Total equity attributable to owners of the Company</b> | <b>110,783</b>   | <b>123,525</b>   |
| Non-controlling interests                                 | 1,392            | -                |
| <b>Total equity</b>                                       | <b>112,175</b>   | <b>123,525</b>   |
| <b>Liabilities</b>  |                  |                  |
| Loans and borrowings                                      | 37,370           | 27,970           |
| Deferred tax liabilities                                  | 8,120            | 8,120            |
| <b>Total non-current liabilities</b>                      | <b>45,490</b>    | <b>36,090</b>    |
| Loans and borrowings                                      | 145,053          | 136,860          |
| Trade and other payables                                  | 88,191           | 57,124           |
| Current tax liabilities                                   | 620              | 176              |
| <b>Total current liabilities</b>                          | <b>233,864</b>   | <b>194,160</b>   |
| <b>Total liabilities</b>                                  | <b>279,354</b>   | <b>230,250</b>   |
| <b>Total equity and liabilities</b>                       | <b>391,530</b>   | <b>353,775</b>   |

The above condensed consolidated statement of financial position 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 changes in equity  
for the period ended 30 June 2012**

|  | ← Attributable to owners of the Company → |               |                             |                    |                     |                 |                   | 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                    |                |
| <b>At 1 January 2011</b>                                   | 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        | -   | -             | -                           | (12)               | -                   | -               | -                 | (12)           | -                         | (12)           |
| Profit for the period                                      | -   | -             | -                           | -                  | -                   | -               | 5,362             | 5,362          | (1,438)                   | 3,924          |
| <b>Total comprehensive income/(expense) for the period</b> | -   | -             | -                           | (12)               | -                   | -               | 5,362             | 5,350          | (1,438)                   | 3,912          |
| Disposal of a subsidiary                                   | -   | -             | -                           | -                  | -                   | -               | 55                | 55             | (12,516)                  | (12,461)       |
| <b>At 30 June 2011</b>                                     | <b>51,000</b>                             | <b>774</b>    | <b>(53,300)</b>             | <b>(13)</b>        | <b>-</b>            | <b>28,182</b>   | <b>101,185</b>    | <b>127,828</b> | <b>-</b>                  | <b>127,828</b> |
| <b>At 1 January 2012</b>                                   | 51,000                                    | 774           | (53,300)                    | (47)               | 18,078              | 28,182          | 78,943            | 123,630        | -                         | 123,630        |
| Effect of transition to MFRS                               | -   | -             | -                           | -                  | (18,078)            | -               | 18,078            | -              | -                         | -              |
|  | 51,000                                    | 774           | (53,300)                    | (47)               | -                   | 28,182          | 97,021            | 123,630        | -                         | 123,630        |
| Other comprehensive income for the period                  |   |               |                             |                    |                     |                 |                   |                |                           |                |
| - Fair value of available-for-sale financial assets        | -   | -             | -                           | (8)                | -                   | -               | -                 | (8)            | -                         | (8)            |
| Loss for the period  | -   | -             | -                           | -                  | -                   | -               | (12,838)          | (12,838)       | 182                       | (12,657)       |
| <b>Total comprehensive income/(expense) for the period</b> | -   | -             | -                           | (8)                | -                   | -               | (12,838)          | (12,846)       | 182                       | (12,665)       |
| Acquisition of a subsidiary                                | -   | -             | -                           | -                  | -                   | -               | -                 | -              | 1,210                     | 1,210          |
| <b>At 30 June 2012</b>                                     | <b>51,000</b>                             | <b>774</b>    | <b>(53,300)</b>             | <b>(55)</b>        | <b>-</b>            | <b>28,182</b>   | <b>84,183</b>     | <b>110,784</b> | <b>1,392</b>              | <b>112,175</b> |

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 30 June 2012**

|  | Note | 6 months<br>period to<br>30-Jun-12<br>RM'000 | 6 months<br>period to<br>30-Jun-11<br>RM'000 |
|--|------|--|--|
| <b>Cash flows from operating activities</b>                    |      |  |  |
| (Loss)/Profit before tax from continuing operations            |      | (11,203)                                     | 4,898  |
| Adjustments for:   |      |  |  |
| Depreciation on property, plant and equipment                  |      | 2,765  | 6,895  |
| Loss/(Gain) on disposal of plant and equipment                 |      | 1  | (3,743)                                      |
| Dividend income  |      | -  | (1)  |
| Interest income  |      | (10)   | (917)  |
| Interest expense   |      | 5,262  | 5,802  |
| Share of loss/(profit) of equity accounted associates          |      | 2,392  | (253)  |
| Operating profit before working capital changes                |      | (793)  | 12,681                                       |
| Changes in working capital:                                    |      |  |  |
| Inventories  |      | 6,731  | (16,336)                                     |
| Trade and other receivables                                    |      | (30,708)                                     | 41,249                                       |
| Trade and other payables                                       |      | 31,067                                       | (19,587)                                     |
| <b>Cash generated from/(used in) operations</b>                |      | 6,296  | 18,007                                       |
| Income taxes paid  |      | (816)  | (987)  |
| <b>Net cash from/(used in) operating activities</b>            |      | 5,480  | 17,020                                       |
| <b>Cash flows from investing activities</b>                    |      |  |  |
| Acquisition of property, plant and equipment                   | A    | (16,949)                                     | (15,864)                                     |
| Dividend received  |      | -  | 1  |
| Interest received  |      | 10   | 917  |
| Net cash inflow on disposal of a subsidiary                    |      | -  | 5,532  |
| Net cash inflow on acquisition of a subsidiary                 |      | 258  | -  |
| Proceeds from disposal of plant and equipment                  |      | -  | 1,042  |
| <b>Net cash used in investing activities</b>                   |      | (16,681)                                     | (8,372)                                      |
| <b>Cash flows from financing activities</b>                    |      |  |  |
| Interest paid  |      | (5,262)                                      | (5,802)                                      |
| Placement of pledged fixed deposits                            |      | (109)  | (612)  |
| Drawdown/(Repayment) of short term borrowings, net             |      | 6,976  | (2,393)                                      |
| Drawdown of term loans   |      | 10,370                                       | 4,947  |
| Repayment of term loans  |      | (814)  | (2,024)                                      |
| Payment of finance lease liabilities                           |      | (2,527)                                      | (1,413)                                      |
| <b>Net cash from financing activities</b>                      |      | 8,634  | (7,297)                                      |
| Net decrease in cash and cash equivalents                      |      | (2,567)                                      | 1,351  |
| Cash and cash equivalents as at beginning of financial period  |      | (995)  | (426)  |
| <b>Cash and cash equivalents as at end of financial period</b> | B    | (3,562)                                      | 925  |

**Notes:**

**A. Acquisition of property, plant and equipment**

During the period, the Group acquired property, plant and equipment with an aggregate cost of RM19.812 million (2011: RM17.756million) of which RM2.437 million (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 30 June 2012 (continued)**

**B. Cash and cash equivalents**

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

|                           | <b>6 months<br/>period to<br/>30-Jun-12<br/>RM'000</b> | <b>6 months<br/>period to<br/>30-Jun-11<br/>RM'000</b> |
|---------------------------|--|--|
| Cash and bank balances    | 1,551  | 5,163  |
| Bank overdrafts           | <u>(5,111)</u>   | <u>(4,238)</u>   |
| Cash and cash equivalents | <u><u>(3,560)</u></u>                                  | <u><u>925</u></u>                                      |
|                           | (2)  |  |

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 30 June 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<br>January 2011 | Effect of<br>transition to<br>MFRSs | MFRSs as at 1<br>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 30 June 2011

|                     | FRSs as at 30<br>June 2011 | Effect of<br>transition to<br>MFRSs | MFRSs as at 30<br>June 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<br>December 2011 | Effect of<br>transition to<br>MFRSs | MFRSs as at 31<br>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<br>ended 30 June |                | Cumulative quarter to date<br>ended 30 June |                |
|---------------------------|----------------------------------|----------------|---|----------------|
|                           | 2012<br>RM'000                   | 2011<br>RM'000 | 2012<br>RM'000                              | 2011<br>RM'000 |
| <u>Segment revenue</u>    |                                  |                |   |                |
| Malaysia                  | 73,472                           | 69,283         | 133,090                                     | 152,584        |
| Asia (excluding Malaysia) | 2,256                            | 4,702          | 4,752                                       | 7,529          |
| United States of America  | 4,949                            | 3,791          | 9,840                                       | 9,239          |
| Europe                    | -                                | -              | 333   | -              |
|                           | <u>80,678</u>                    | <u>77,776</u>  | <u>148,016</u>                              | <u>169,352</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 RM7.25 million, RM5.72 million and RM4.2 million 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:

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

| <b>Goodwill</b>  | <b>RM'000</b>       |
|--|---------------------|
| 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**

|   | <b>Cumulative<br/>Period to Date<br/>30-Jun-12<br/>RM'000</b> |
|---|---|
| Contracted but not provided for in the financial statements |   |
| - Plant and equipment                                       | <u><u>5,219</u></u>   |

**A15. Significant related party transactions**

|                                  | <b>Current Quarter<br/>30-Jun-12<br/>RM'000</b> | <b>Cumulative<br/>Period to Date<br/>30-Jun-12<br/>RM'000</b> |
|----------------------------------|---|---|
| a) Transactions with associates: |   |   |
| - Sales                          | 86  | 218   |
| - Purchases                      | <u>8,039</u>                                    | <u>12,023</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 the period ended 30 June 2012, the Group achieved a total revenue of RM148.17 million. This represents a decrease by RM21.33 million or 12.6% as compared to the revenue of RM169.35 million for the corresponding period of year 2011. The decrease is due to sales of NEG was not included as it is no longer subsidiary company of TGGB. Compare to the revenue of year 2011 if not included NEG, the Group revenue increased by RM17.65 million 13.5% and the increase in sales is mainly contributed from domestic market.

The Group incurred a loss before tax of RM12.47 million for the period ended 30 June 2012 compared with profit before tax of RM4.89 million in the same period of 2011. This is mainly due to drop in global steel price especially severe drop in stainless steel price. Pressured by the Eurozone financial and debts crisis and slow down in China and United State economies has further contributed to the downturn of profit of steel industry players.

**B2. Variation of results against preceding quarter**

During the period under review, the Group's revenue was RM80.68 million, increased by RM13.34 million or 19.8% as compared to the revenue of RM67.34 million for the preceding quarter 1 of 2012. The increase in revenue is mainly contributed from domestic market.

The Group registered a loss before tax of RM11.2 million compared to a loss before tax of RM1.26 million for preceding quarter 1 of 2012. This was mainly due lower selling price as the result of the drop in global steel price and high raw materials cost.

**B3. Current year prospects**

The Group will continue to focus on expanding its distribution business in the central and southern regions of Malaysia and its new production line - stainless steel fittings. In view of the current global economic prospect is expected to remain weak, the Board of Directors are in the opinion that the Group's financial performance for the remaining six (6) months period ending 31 December 2012 is challenging.

**B4. Variance between actual profit and forecast profit**

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



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**B5. Income tax expense**

|                     | <b>Current Quarter<br/>30-Jun-12<br/>RM'000</b> | <b>Cumulative<br/>Period to Date<br/>30-Jun-12<br/>RM'000</b> |
|---------------------|---|---|
| Current tax expense | <u>24</u>                                       | <u>186</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**

|                           | <b>Carrying<br/>Amount<br/>RM'000</b> | <b>Market value as at<br/>30-Jun-12<br/>RM'000</b> |
|---------------------------|---------------------------------------|--|
| Quoted shares in Malaysia | <u>143</u>                            | <u>143</u>   |

**B7. Loan and borrowings**

The Group's loans and borrowings as at 30 June 2012 are as follows:

|                             | <b>Secured<br/>RM'000</b> | <b>Unsecured<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------------|---------------------------|-----------------------------|-------------------------|
| Current:                    |                           |                             |                         |
| - Bank overdraft            | 4,284                     | 827                         | 5,111                   |
| - Trade line                | 100,838                   | 34,113                      | 134,951                 |
| - Term loans                | 2,366                     |                             | 2,366                   |
| - ICULS                     |                           | 583                         | 583                     |
| - Finance lease liabilities | <u>2,042</u>              |                             | <u>2,042</u>            |
|                             | <u>109,530</u>            | <u>35,523</u>               | <u>145,053</u>          |
| Non-current                 |                           |                             |                         |
| - Term loans                | 31,704                    |                             | 31,704                  |
| - ICULS                     |                           | 1,568                       | 1,568                   |
| - Finance lease liabilities | <u>4,098</u>              |                             | <u>4,098</u>            |
|                             | <u>35,802</u>             | <u>1,568</u>                | <u>37,370</u>           |
| Total                       | <u>145,332</u>            | <u>37,091</u>               | <u>182,423</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.

**B9. Proposed dividend**

The Board does not recommend any dividend for the current quarter ended 30 June 2012.



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**B10. Loss per share**

| <b>a) Basic loss per ordinary share</b>                          | <b>Current Quarter<br/>30-Jun-12</b> | <b>Cumulative<br/>Period to Date<br/>30-Jun-12</b> |
|--|--------------------------------------|--|
| Loss attributable to ordinary<br>shareholders (RM'000)           | (11,321)                             | (12,838)   |
| Weighted average number of ordinary<br>share ('000)              | <u>102,000</u>                       | <u>102,000</u>                                     |
| Basic loss per ordinary share (in sen)                           | <u>(11.10)</u>                       | <u>(12.59)</u>                                     |
| <b>b) Diluted earnings per ordinary share</b>                    | <b>Current Quarter<br/>30-Jun-12</b> | <b>Cumulative<br/>Period to Date<br/>30-Jun-12</b> |
| Loss attributable to ordinary<br>shareholders (basic) (RM'000)   | (11,321)                             | (12,846)   |
| Interest expense on ICULS, net of<br>tax (RM'000)                | 144                                  | 144  |
| Loss attributable to ordinary<br>shareholders (diluted) (RM'000) | <u>(11,177)</u>                      | <u>(12,702)</u>                                    |
| Weighted average number of ordinary<br>shares (basic) ('000)     | 102,000                              | 102,000  |
| Effect of conversion of ICULS ('000)                             | 53,103                               | 53,103   |
| Weighted average number of ordinary<br>shares (diluted) ('000)   | <u>155,103</u>                       | <u>155,103</u>                                     |
| Diluted earnings per ordinary share<br>(in sen)                  | <u>-</u>                             | <u>-</u>   |



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**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:

|  | <b>As at<br/>30-Jun-12<br/>RM'000</b> | <b>As at<br/>31-Dec-11<br/>RM'000</b> |
|--|---------------------------------------|---------------------------------------|
| Total retained earnings of the Company and its subsidiaries: |                                       |                                       |
| - Realised   | 80,330                                | 89,734                                |
| - Unrealised   | <u>9,587</u>                          | <u>10,329</u>                         |
|  | 89,917                                | 100,063                               |
| Total share of accumulated (losses)/profit from associates:  |                                       |                                       |
| - Realised   | <u>(4,488)</u>                        | <u>(2,096)</u>                        |
|  | 85,429                                | 97,967                                |
| Consolidation adjustments                                    | <u>(1,006)</u>                        | <u>(1,051)</u>                        |
| Total retained earnings                                      | <u><u>84,423</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.