



**TATT GIAP GROUP BERHAD**

(732294-W)

(Incorporated in Malaysia)

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

|  | Note      | Individual Quarter    |           | Cumulative Quarter     |           |
|--|-----------|-----------------------|-----------|------------------------|-----------|
|  |           | 3-months period ended |           | 12-months period ended |           |
|  |           | 31-Dec-12             | 31-Dec-11 | 31-Dec-12              | 31-Dec-11 |
|  |           | RM'000                | RM'000    | RM'000                 | RM'000    |
| <b>Continuing operations</b>                                 |           |                       |           |                        |           |
| Revenue  |           | 65,368                | 74,947    | 291,595                | 312,140   |
| Cost of sales  |           | (63,680)              | (67,883)  | (280,509)              | (283,521) |
| <b>Gross profit</b>  |           | 1,688                 | 7,064     | 11,086                 | 28,619    |
| Other operating income                                       |           | -                     | 2,636     | 389                    | 9,066     |
| Distribution expenses  |           | (1,669)               | (1,041)   | (7,069)                | (6,496)   |
| Administrative expenses                                      |           | (2,005)               | (2,457)   | (13,537)               | (12,635)  |
| Other operating expenses                                     |           | (114)                 | (1,596)   | -                      | (1,596)   |
| <b>Results from operating activities</b>                     |           | (2,100)               | 4,606     | (9,131)                | 16,958    |
| Finance costs  |           | (2,177)               | (1,441)   | (9,880)                | (9,118)   |
| <b>Operating (loss)/ profit</b>                              | <b>1</b>  | (4,277)               | 3,165     | (19,011)               | 7,840     |
| Share of loss of equity accounted associates, net of tax     |           | (657)                 | (2,989)   | (7,883)                | (5,222)   |
| <b>(Loss)/Profit before tax</b>                              |           | (4,934)               | 176       | (26,894)               | 2,618     |
| Income tax expense   | <b>A9</b> | 742                   | (152)     | (320)                  | (881)     |
| <b>(Loss)/Profit from continuing operations</b>              |           | (4,192)               | 24        | (27,214)               | 1,737     |
| <b>Discontinued operations</b>                               |           |                       |           |                        |           |
| <b>Loss from discontinued operations, net of tax</b>         |           | (1,164)               | -         | (3,383)                | -         |
| <b>(Loss)/Profit for the period</b>                          |           | (5,356)               | 24        | (30,597)               | 1,737     |
| <b>Other comprehensive income, net of tax</b>                |           |                       |           |                        |           |
| Gain/ (Loss) on available-for-sale financial assets          |           | 2                     | (2)       | (16)                   | (47)      |
| <b>Total comprehensive (expense)/income for the period</b>   |           | (5,354)               | 22        | (30,613)               | 1,690     |
| <b>(Loss)/Profit for the period attributable to:</b>         |           |                       |           |                        |           |
| Owners of the Company  |           |                       |           |                        |           |
| - from continuing operations                                 |           | (4,021)               | 24        | (26,137)               | 3,175     |
| - from discontinued operations                               |           | (1,164)               | -         | (3,383)                | -         |
|  |           | (5,185)               | 24        | (29,520)               | 3,175     |
| Non-controlling interests                                    |           | (169)                 | -         | (1,077)                | (1,438)   |
| <b>(Loss)/Profit for the period</b>                          |           | (5,356)               | 24        | (30,597)               | 1,737     |
| <b>Total comprehensive (expense)/income attributable to:</b> |           |                       |           |                        |           |
| Owners of the Company  |           |                       |           |                        |           |
| - from continuing operations                                 |           | (4,018)               | 22        | (26,153)               | 3,128     |
| - from discontinued operations                               |           | (1,164)               | -         | (3,383)                | -         |
|  |           | (5,182)               | 22        | (29,536)               | 3,128     |
| Non-controlling interests                                    |           | (169)                 | -         | (1,077)                | (1,438)   |
| <b>Total comprehensive (expense)/income for the period</b>   |           | (5,354)               | 22        | (30,613)               | 1,690     |
| <b>Basic (loss)/earnings per ordinary share (sen)</b>        |           | (3.94)                | 0.02      | (25.62)                | 3.11      |
| <b>Diluted earnings per ordinary share (sen)</b>             |           | N/A                   | N/A       | N/A                    | 2.44      |



**TATT GIAP GROUP BERHAD**

(732294-W)

(Incorporated in Malaysia)

**Unaudited condensed consolidated statement of comprehensive income  
for the period ended 31 December 2012 (continued)**

**Note:**

**1. Operating profit is arrived at:**

After charging:

|   |       |       |       |        |
|---|-------|-------|-------|--------|
| - Impairment loss on trade receivables          | (187) | -     | 443   | -      |
| - Impairment loss on goodwill                   | 784   | 826   | 784   | 826    |
| - Inventories written down                      | -     | 1,178 | -     | 1,178  |
| - Depreciation on property, plant and equipment | 2,587 | 2,189 | 7,329 | 11,256 |
| - Realised loss on foreign exchange             | 120   | 363   | 830   | 684    |
| - Loss on disposal of plant and equipment       | -     | -     | -     | -      |
| - Interest expense                              | 2,176 | 2,067 | 9,976 | 8,938  |

After crediting:

|   |    |       |     |       |
|---|----|-------|-----|-------|
| - Gain on disposal of plant and equipment                     | 85 | 138   | 84  | 349   |
| - Gain on disposal of subsidiary (including<br>remeasurement) | -  | 2,453 | -   | 6,079 |
| - Interest income   | -  | -     | 137 | 465   |

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 31 December 2012**

|   | <b>31-Dec-12<br/>RM'000</b> | <b>31-Dec-11<br/>RM'000</b> |
|---|-----------------------------|-----------------------------|
| <b>Assets</b>   |                             |                             |
| Property, plant and equipment                             | 158,737                     | 122,861                     |
| Intangible assets   | 230                         | 230                         |
| Investment in associates                                  | 6,653                       | 14,589                      |
| Other investments   | 135                         | 151                         |
| <b>Total non-current assets</b>                           | <b>165,755</b>              | <b>137,831</b>              |
| Inventories   | 107,537                     | 128,652                     |
| Trade and other receivables                               | 73,468                      | 72,249                      |
| Current tax assets  | 1,821                       | 2,201                       |
| Assets classified as held for sale                        | 4,350                       | -                           |
| Cash and cash equivalents                                 | 10,465                      | 12,842                      |
| <b>Total current assets</b>                               | <b>197,641</b>              | <b>215,944</b>              |
| <b>Total assets</b>                                       | <b>363,396</b>              | <b>353,775</b>              |
| <b>Equity</b>   |                             |                             |
| Share capital   | 51,000                      | 51,000                      |
| Reserves  | 42,989                      | 72,525                      |
| <b>Total equity attributable to owners of the Company</b> | <b>93,989</b>               | <b>123,525</b>              |
| Non-controlling interests                                 | 497                         | -                           |
| <b>Total equity</b>                                       | <b>94,486</b>               | <b>123,525</b>              |
| <b>Liabilities</b>  |                             |                             |
| Loans and borrowings                                      | 43,962                      | 27,970                      |
| Deferred tax liabilities                                  | 7,060                       | 8,120                       |
| <b>Total non-current liabilities</b>                      | <b>51,022</b>               | <b>36,090</b>               |
| Loans and borrowings                                      | 150,088                     | 136,860                     |
| Trade and other payables                                  | 67,800                      | 57,124                      |
| Current tax liabilities                                   | -                           | 176                         |
| <b>Total current liabilities</b>                          | <b>217,888</b>              | <b>194,160</b>              |
| <b>Total liabilities</b>                                  | <b>268,910</b>              | <b>230,250</b>              |
| <b>Total equity and liabilities</b>                       | <b>363,396</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**  
(732294-W)  
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**Unaudited condensed consolidated statement of changes in equity  
for the period ended 31 December 2012**

|  | ← Attributable to owners of the Company → |               |                             |                    |                     |                 |                   | Non-controlling interests | Total Equity |                |
|--|---|---------------|-----------------------------|--------------------|---------------------|-----------------|-------------------|---------------------------|--------------|----------------|
|  | ← Non-distributable →                     |               |                             | Distributable      |                     |                 |                   |                           |              |                |
|  | Share capital                             | Share premium | Reverse acquisition reserve | Fair value reserve | Revaluation reserve | Capital reserve | Retained earnings | Total                     |              |                |
|  | 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        | -   | -             | -                           | (46)               | -                   | -               | -                 | (46)                      | -            | (46)           |
| Profit for the period                                      | -   | -             | -                           | -                  | -                   | -               | 3,153             | 3,153                     | (1,438)      | 1,715          |
| <b>Total comprehensive income/(expense) for the period</b> | -   | -             | -                           | (46)               | -                   | -               | 3,153             | 3,107                     | (1,438)      | 1,669          |
| Disposal of a subsidiary                                   | -   | -             | -                           | -                  | (25,598)            | -               | 23,593            | (2,005)                   | (12,516)     | (14,521)       |
| <b>At 31 December 2011</b>                                 | <b>51,000</b>                             | <b>774</b>    | <b>(53,300)</b>             | <b>(47)</b>        | <b>(25,598)</b>     | <b>28,182</b>   | <b>122,514</b>    | <b>123,525</b>            | <b>-</b>     | <b>123,525</b> |
| <b>At 1 January 2012</b>                                   | 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        | -   | -             | -                           | (16)               | -                   | -               | -                 | (16)                      | -            | (16)           |
| Loss for the period  | -   | -             | -                           | -                  | -                   | -               | (29,520)          | (29,520)                  | (1,077)      | (30,597)       |
| <b>Total comprehensive income/(expense) for the period</b> | -   | -             | -                           | (16)               | -                   | -               | (29,520)          | (29,536)                  | (1,077)      | (30,613)       |
| Acquisition of a subsidiary                                | -   | -             | -                           | -                  | -                   | -               | -                 | -                         | 1,574        | 1,574          |
| <b>At 31 December 2012</b>                                 | <b>51,000</b>                             | <b>774</b>    | <b>(53,300)</b>             | <b>(63)</b>        | <b>-</b>            | <b>28,182</b>   | <b>67,396</b>     | <b>93,989</b>             | <b>497</b>   | <b>94,486</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 31 December 2012**

|   | Note | 12 months<br>period to<br>31-Dec-12<br>RM'000 | 12 months<br>period to<br>31-Dec-11<br>RM'000 |
|---|------|---|---|
| <b>Cash flows from operating activities</b>                             |      |   |   |
| (Loss)/Profit before tax from   |      |   |   |
| - continuing operations   |      | (26,894)                                      | 2,619   |
| - discontinued operations   |      | (3,383)                                       | -   |
| Adjustments for:  |      |   |   |
| Depreciation on property, plant and equipment                           |      | 7,329   | 11,274  |
| Impairment of goodwill  |      | 784   | 826   |
| Impairment of bad debts   |      | 443   | -   |
| Gain on disposal of plant and equipment                                 |      | (84)  | (213)   |
| Dividend income   |      | (8)   | (14)  |
| Interest income   |      | (137)   | (465)   |
| Gain on dilution of interest in a subsidiary to an associate            |      | -   | (3,660)                                       |
| Gain on re-measurement of an associate                                  |      | -   | (2,453)                                       |
| Gain on disposal of assets held for sale                                |      | -   | (136)   |
| Interest expense  |      | 9,880   | 8,938   |
| Share of loss/(profit) of equity accounted associates                   |      | 7,937   | 5,222   |
| Operating (loss)/ profit before working capital changes                 |      | (4,133)                                       | 21,938  |
| Changes in working capital:   |      |   |   |
| Inventories   |      | 20,968  | (35,757)                                      |
| Trade and other receivables   |      | (1,073)                                       | (8,335)                                       |
| Trade and other payables  |      | 8,218   | 50,046  |
| <b>Cash generated from operations</b>                                   |      | 23,980  | 27,892  |
| Income taxes paid   |      | (1,176)                                       | (1,617)                                       |
| <b>Net cash from operating activities</b>                               |      | 22,804  | 26,275  |
| <b>Cash flows from investing activities</b>                             |      |   |   |
| Acquisition of property, plant and equipment                            | A    | (33,451)                                      | (40,047)                                      |
| Dividend received   |      | 8   | 14  |
| Interest received   |      | 137   | 465   |
| Subscription of additional interest in an associate                     |      | -   | (5,798)                                       |
| Net cash inflow on acquisition of a subsidiary                          |      | (2,982)                                       | -   |
| Proceeds from disposal of assets classified as held for sales           |      | -   | 870.00  |
| Proceeds from disposal of plant and equipment                           |      | 90  | 349   |
| Net cash inflow on dilution of interest in a subsidiary to an associate |      | -   | 4,920   |
| <b>Net cash used in investing activities</b>                            |      | (36,198)                                      | (39,227)                                      |
| <b>Cash flows from financing activities</b>                             |      |   |   |
| Interest paid   |      | (10,374)                                      | (8,938)                                       |
| Placement of pledged fixed deposits                                     |      | (274)   | (289)   |
| Drawdown/(Repayment) of short term borrowings, net                      |      | 7,718   | 6,956   |
| Drawdown of term loans  |      | 15,887  | 17,326  |
| Repayment of term loans   |      | (1,530)                                       | -   |
| Payment of finance lease liabilities                                    |      | (3,471)                                       | (2,673)                                       |
| <b>Net cash from financing activities</b>                               |      | 7,956   | 12,382  |
| Net decrease in cash and cash equivalents                               |      | (5,438)                                       | (570)   |
| 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    | (6,433)                                       | (996)   |



**TATT GIAP GROUP BERHAD**  
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**Unaudited condensed consolidated statement of cash flows  
for the period ended 31 December 2012 (continued)**

**Notes:**

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

During the period, the Group acquired property, plant and equipment with an aggregate cost of RM45.988million (2011: RM42.969million) of which RM12.537million (2011: RM2.922million) was acquired by means of finance lease arrangements.

**B. Cash and cash equivalents**

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

|                           | <b>12 months<br/>period to<br/>31-Dec-12<br/>RM'000</b> | <b>12 months<br/>period to<br/>31-Dec-11<br/>RM'000</b> |
|---------------------------|---|---|
| Cash and bank balances    | 810   | 3,460   |
| Bank overdrafts           | <u>(7,243)</u>  | <u>(4,456)</u>  |
| Cash and cash equivalents | <u><u>(6,433)</u></u>                                   | <u><u>(996)</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.



**TATT GIAP GROUP BERHAD**

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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 December 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. MFRS 1: First time adoption of Malaysian Financial Reporting Standards ("MFRS 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.

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:



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**Notes to the condensed consolidated interim financial statements**

**A1. Basis of preparation (continued)**

Reconciliation of equity as at 1 January 2011

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

Reconciliation of equity as at 31 December 2011

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

The following MFRSs, IC Interpretation and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2012.

**MFRS and Amendments effective for annual periods beginning on or after 1 January 2012**

|                        |   |
|------------------------|---|
| MFRS 124               | Related Party Disclosures (revised)   |
| Amendments to MFRS 1   | Severe Hyperinflation and Removal of Fixed Dates<br>for First-time Adopters |
| Amendments to MFRS 7   | Disclosures – Transfers of Financial Assets                                 |
| Amendments to MFRS 112 | Deferred tax: Recovery of Underlying Assets                                 |

The adoption of the above MFRSs and Amendments to MFRSs, did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

The following revised MFRSs, new IC Interpretations and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group.

**Amendments effective for annual periods beginning on or after 1 July 2012**

|                        |  |
|------------------------|--|
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive<br>Income |
|------------------------|--|





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**Notes to the condensed consolidated interim financial statements**

**A1. Basis of preparation (continued)**

**MFRSs and Amendments effective for annual periods beginning on or after 1 January 2013**

|   |  |
|---|--|
| MFRS 10   | Consolidated Financial Statements  |
| MFRS 11   | Joint Arrangements   |
| MFRS 12   | Disclosure of Interests in Other Entities  |
| MFRS 13   | Fair Value Measurement   |
| MFRS 119  | Employee Benefits (2011)   |
| MFRS 127  | Separate Financial Statements (2011)   |
| MFRS 128  | Investment in Associates and Joint Ventures (2011)   |
| Amendments to MFRS 7  | Disclosures – Offsetting Financial Assets and<br>Financial Liabilities   |
| MFRS 3  | Business Combinations  |
| Amendments to MFRSs contained in the documents entitled “Annual Improvements 2009-2011 Cycle” |  |
| Amendments to MFRS 10,<br>MFRS 11 and MFRS 12   | Consolidated Financial Statements, Joint<br>Arrangements and Disclosure of Interests in Other<br>Entities: Transition Guidance |
| MFRS 127  | Consolidated and Separate Financial Statements   |

**Amendments effective for annual periods beginning on or after 1 January 2014**

|                        |   |
|------------------------|---|
| Amendments to MFRS 132 | Presentation – Offsetting Financial Assets and<br>Financial Liabilities |
|------------------------|---|

**MFRSs and Amendments effective for annual periods beginning on or after 1 January 2015**

|                      |  |
|----------------------|--|
| MFRS 9               | Financial Instruments (2009)   |
| MFRS 9               | Financial Instruments (2010)   |
| Amendments to MFRS 9 | Disclosures – Mandatory Date of MFRS 9 and<br>Transition Disclosures |

**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.

**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.



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**Notes to the condensed consolidated interim financial statements**

**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.

***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        |                        | Cumulative quarter to date |                        |
|---------------------------|------------------------|------------------------|----------------------------|------------------------|
|                           | ended 31 December 2012 | ended 31 December 2011 | ended 31 December 2012     | ended 31 December 2011 |
|                           | RM'000                 | RM'000                 | RM'000                     | RM'000                 |
| <u>Segment revenue</u>    |                        |                        |                            |                        |
| Malaysia                  | 59,583                 | 65,834                 | 260,529                    | 277,260                |
| Asia (excluding Malaysia) | 2,103                  | 3,312                  | 7,748                      | 14,384                 |
| United States of America  | 2,165                  | 5,413                  | 21,468                     | 19,388                 |
| Europe                    | 1,337                  | 387                    | 1,670                      | 1,108                  |
| Australia                 | 180                    | -                      | 180                        | -                      |
|                           | <u>65,368</u>          | <u>74,947</u>          | <u>291,595</u>             | <u>312,140</u>         |

**A9. Discontinued Operations**

On 31 December 2012, the Group ("TGG") entered into an agreement with KC Prima Sdn. Bhd. to dispose off all its 60% equity interest in Buminox Sdn. Bhd representing 2,400,000 ordinary shares of RM1 each for a total cash consideration of RM1.2 million. Upon completion of the Proposed Disposal on 14 January 2012, Buminox ceased to be a subsidiary of TGG.

In accordance with MFRS 5: Non-current Assets Held for Sales and Discontinued Operations, Buminox is classified as Assets and Liabilities held for sale/ discontinued operations as at 31 December 2012.

The loss attributable to the discontinued operations are as follows:



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**A9. Discontinued Operations (continued)**

|  | Current quarter<br>ended 31 December 2012 |          | Cumulative quarter to date<br>ended 31 December 2012 |          |
|--|---|----------|--|----------|
|  | 2012                                      | 2011     | 2012   | 2011     |
|  | RM'000                                    | RM'000   | RM'000   | RM'000   |
| Revenue                                  | -   | -        | -  | -        |
| Cost of sales                            | (155)                                     | -        | (1,534)  | -        |
| <b>Gross profit</b>                      | <b>(155)</b>                              | <b>-</b> | <b>(1,534)</b>                                       | <b>-</b> |
| Administrative expenses                  | (225)                                     | -        | (968)  | -        |
| Other operating expense                  | (784)                                     | -        | (784)  | -        |
| <b>Results from operating activities</b> | <b>(1,164)</b>                            | <b>-</b> | <b>(3,286)</b>                                       | <b>-</b> |
| Finance costs                            | -   | -        | (97)   | -        |
| <b>Loss before tax</b>                   | <b>(1,164)</b>                            | <b>-</b> | <b>(3,383)</b>                                       | <b>-</b> |
| Income tax expense                       | -   | -        | -  | -        |
| <b>Loss for the period</b>               | <b>(1,164)</b>                            | <b>-</b> | <b>(3,383)</b>                                       | <b>-</b> |

The major classes of assets and liabilities held for sale as at 31 December 2012 are as follows:

|  | RM'000       |
|--|--------------|
| <b>ASSETS</b>                                  |              |
| Property, plant and equipment                  | 3,119        |
| Intangible assets                              | 455          |
| Trade and other receivables                    | 3,572        |
| Inventories                                    | 147          |
| <b>Assets classified as held for sale</b>      | <b>7,293</b> |
| <b>LIABILITIES</b>                             |              |
| Trade and other payables                       | 2,789        |
| Loans and borrowings                           | 154          |
| <b>Liabilities classified as held for sale</b> | <b>2,943</b> |

The cash flow attributable to the discontinued operations are as follows:

|   | 12 months<br>period to<br>31-Dec-12<br>RM'000 | 12 months<br>period to<br>31-Dec-11<br>RM'000 |
|---|---|---|
| Operating cash flows                        | (62)  | -   |
| Investing cash flows                        | (2,978)                                       | -   |
| Financing cash flows                        | (135)   | -   |
| <b>Net cash from discontinued operation</b> | <b>(3,175)</b>                                | <b>-</b>                                      |



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**A10. Property, plant and equipment**

During the current quarter, the Group has acquired building and machinery amounting to RM750 thousand and RM 700 thousand respectively.

**A11. 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.

c) On 9 November 2012, the Group executed a Share Sale & Purchase Agreement ("SSPA") for the disposal of its 49% stake representing 19,600,000 ordinary shares of RM1 each fully paid up in Tatt Giap Steel Centre Sdn Bhd ("TGSC") to CSGT International Corporation ("CIC"), CSC Steel Holdings Berhad ("CSC" Malaysia) and Hanwa Co., Ltd. ("Hanwa") for an aggregate cash consideration of RM20,033,160.00.

The Proposed Disposal is subject to the following approvals:

- (a) the shareholders of the Company at an extraordinary general meeting to be convened; and
- (b) TGSC to notify the Ministry of International Trade and Industry of Malaysia upon signing of the SSPA.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed by 1st half of calendar year 2013.

**A12. Subsequent event**

On 31 December 2012, the Group ("TGG") entered into an agreement with KC Prima Sdn. Bhd. to dispose off all its 60% equity interest in Buminox Sdn. Bhd. ("Buminox") representing 2,400,000 ordinary shares of RM1 each for a total cash consideration of RM1.2 million. Upon completion of the Proposed Disposal on 14 January 2012, Buminox ceased to be a subsidiary of TGG.



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**A13. 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  | <u>3,240</u>        |
| Total consideration  | <u><u>3,600</u></u> |
| <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   | <u>(991)</u>        |
| Total identifiable net assets                                      | <u><u>3,934</u></u> |
| <b>Net cash arising from acquisition of subsidiary</b>             |                     |
| 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>   |
| <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.

Note: Buminox has been disposed on 31 December 2012, please refer to Note A11 for details.

**A14. Contingent liabilities**

The Company has issued corporate guarantees to banks and financial institutions for borrowings granted to an associate for RM4.2million of which RMNil was utilised at the end of the reporting date.



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**A15. Capital commitment**

|   | <b>Cumulative<br/>Period to Date<br/>31-Dec-12<br/>RM'000</b> |
|---|---|
| Contracted but not provided for in the financial statements |   |
| - Property, plant and equipment                             | <u><u>3,738</u></u>   |

**A16. Significant related party transactions**

|                                  | <b>Current Quarter<br/>31-Dec-12<br/>RM'000</b> | <b>Cumulative<br/>Period to Date<br/>31-Dec-12<br/>RM'000</b> |
|----------------------------------|---|---|
| a) Transactions with associates: |   |   |
| - Sales                          | 306   | 854   |
| - Purchases                      | <u>4,689</u>                                    | <u>19,836</u>   |
| b) Transactions with directors   |   |   |
| - Rental expenses                | 12  | 48  |
| - Professional fee               | <u>12</u>                                       | <u>12</u>   |



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

**B1. Review of performance**

For the period ended 31 December 2012, the Group achieved a total revenue of RM291.60 million. This represents a decrease by RM20.54 million or 6.6% as compared to the revenue of RM312.14 million for the corresponding period of year 2011. The decrease is due to sales revenue of NEG was not included as it is no longer a subsidiary of TGGB. Compare to the sales revenue of year 2011 if not included of NEG, the Group revenue is increased by 11.4% or RM29.85 million and the increase in sales is mainly contributed from domestic market.

The Group incurred a loss before tax of RM26.89 million for the period ended 31 December 2012 compared with profit before tax of RM2.62 million in the same period of 2011. This is mainly due to drop in global steel price especially severe drop in stainless steel price throughout the year. Pressure arriving from the Eurozone financial and debts crisis and slow down in China and United State economies have further contributed to the downturn of profits for steel industry players.

In addition, the Company's new venture in excavation, extraction and marketing of iron ore had not been performing as expected. The operation was subsequently disposed on December 2012.

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

During the period under review, the Group's revenue was RM65.37 million, decreased by RM12.84 million or 16.42% as compare to the revenue of RM78.21 million for the preceding quarter of 2012. The decrease in revenue is mainly due to drop in selling price.

The Group registered a loss before tax of RM4.93 million compared to a loss before tax of RM11.72 million for preceding quarter of 2012. This was mainly due to reduce in share of loss from associate company NEG and loss incurred in discontinue operation Buminox.



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**B3. Current year prospects**

The Board acknowledges and foresees that prospects of the global economy are expected to be weak, challenging and not expected to improve in the near future. Furthermore, volatility in the international steel industry, in particular the prices, will continue to affect the performance of the Group. Despite the volatility, our Board will proceed to expand its distribution and market reach to the central and southern regions of peninsular Malaysia with specific focus for direct supply to electronic and electrical and automotive industries.

Nevertheless, the outlook for the ASEAN zone and local market is still optimistic. The optimistic outlook is further aided by various government efforts to restructure the steel sector and that local demand for steel would continue to be sustained by Economic Transformation Programme (ETP) projects.

Our Board is optimistic on the prospects of TGSC following the Proposed Disposal to the Taiwanese and Japanese mega corporations in the Group as the Purchasers will introduce experience and technical expertise to further strengthen the competency of TGSC's operations. Ultimately, our Board is confident that the financial performance to improve base on our experience in the steel industry and the participation of our new shareholders.

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

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

**B5. Income tax expense**

|                     | <b>Current Quarter</b> | <b>Cumulative</b>     |
|---------------------|------------------------|-----------------------|
|                     | <b>31-Dec-12</b>       | <b>Period to Date</b> |
|                     | <b>RM'000</b>          | <b>31-Dec-12</b>      |
|                     | <b>RM'000</b>          | <b>RM'000</b>         |
| Current tax expense | 318                    | 1,380                 |
| Deferred tax income | <u>(1,060)</u>         | <u>(1,060)</u>        |
|                     | <u><u>(742)</u></u>    | <u><u>320</u></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</b> | <b>Market value as at</b> |
|---------------------------|-----------------|---------------------------|
|                           | <b>Amount</b>   | <b>31-Dec-12</b>          |
|                           | <b>RM'000</b>   | <b>RM'000</b>             |
| Quoted shares in Malaysia | <u>135</u>      | <u>135</u>                |





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**B7. Loan and borrowings**

The Group's loans and borrowings as at 31 December 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            | 3,808                     | 774                         | 4,582                   |
| - Trade line                | 102,546                   | 37,654                      | 140,200                 |
| - Term loans                | 1,994                     | -                           | 1,994                   |
| - ICULS                     | -                         | 583                         | 583                     |
| - Finance lease liabilities | <u>2,729</u>              | <u>-</u>                    | <u>2,729</u>            |
|                             | <u>111,077</u>            | <u>39,011</u>               | <u>150,088</u>          |
| Non-current                 |                           |                             |                         |
| - Term loans                | 36,883                    | -                           | 36,883                  |
| - ICULS                     | -                         | 1,074                       | 1,074                   |
| - Finance lease liabilities | <u>6,005</u>              | <u>-</u>                    | <u>6,005</u>            |
|                             | <u>42,888</u>             | <u>1,074</u>                | <u>43,962</u>           |
| Total                       | <u>153,965</u>            | <u>40,085</u>               | <u>194,050</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 31 December 2012.

**B10. Loss per share**

**a) Basic loss per ordinary share**

|   | <b>Current Quarter<br/>31-Dec-12</b> | <b>Cumulative<br/>Period to Date<br/>31-Dec-12</b> |
|---|--------------------------------------|--|
| Loss attributable to ordinary shareholders (RM'000) | (4,021)                              | (26,137)   |
| Weighted average number of ordinary share ('000)    | <u>102,000</u>                       | <u>102,000</u>                                     |
| Basic loss per ordinary share (in sen)              | <u>(3.94)</u>                        | <u>(25.62)</u>                                     |



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**B10. Loss per share (continued)**

**b) Diluted earnings per ordinary share**

|   | <b>Current Quarter<br/>31-Dec-12</b> | <b>Cumulative<br/>Period to Date<br/>31-Dec-12</b> |
|---|--------------------------------------|--|
| Loss attributable to ordinary shareholders (basic) (RM'000)   | (4,021)                              | (26,153)   |
| Interest expense on ICULS, net of tax (RM'000)                | 122                                  | 122  |
| Loss attributable to ordinary shareholders (diluted) (RM'000) | <u>(3,899)</u>                       | <u>(26,031)</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>   |

**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/>31-Dec-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   | 102,823                               | 89,734                                |
| - Unrealised   | <u>11,019</u>                         | <u>(7,749)</u>                        |
|  | 113,842                               | 81,985                                |
| Total share of accumulated (losses)/profit from associates:  |                                       |                                       |
| - Realised   | <u>(10,032)</u>                       | <u>(2,096)</u>                        |
|  | 103,810                               | 79,889                                |
| Consolidation adjustments                                    | <u>(36,414)</u>                       | <u>(1,051)</u>                        |
| Total retained earnings                                      | <u>67,396</u>                         | <u>78,838</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.